

# The Audit Findings for Devon and Cornwall Police and Crime Commissioner and Chief Constable

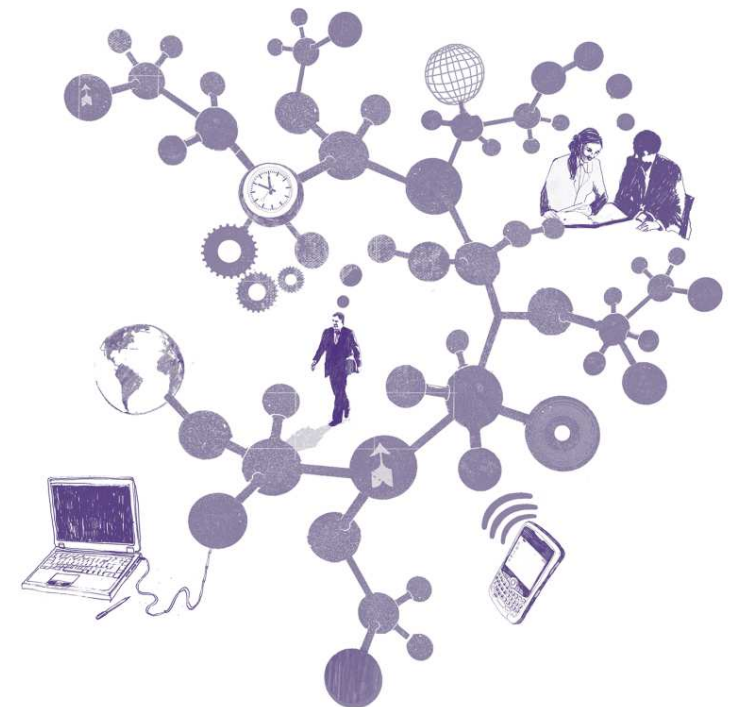
Year ended 31 March 2014

8 September 2014

**Alex Walling**  
Associate Director  
T 0117 3057804  
E [alex.j.walling@uk.gt.com](mailto:alex.j.walling@uk.gt.com)

**Karen Beckingham**  
Manager  
T 0117 3057895  
E [karen.a.beckingham@uk.gt.com](mailto:karen.a.beckingham@uk.gt.com)

**Peter Brereton**  
Executive  
T 0117 3057888  
E [peter.d.brereton@uk.gt.com](mailto:peter.d.brereton@uk.gt.com)



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## **Appendices**

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# Section 1: Executive summary

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# Executive summary

## Purpose of this report

As the external auditor appointed to both the Police and Crime Commissioner (PCC) and the Chief Constable (CC) for Devon and Cornwall we are required by the Audit Commission's Code of Audit Practice to report our audit findings to the PCC and the Chief Constable as the individuals charged with governance for the office of the PCC and the police force respectively. This report (our Audit Findings Report) highlights the key findings and recommendations from our audits of the PCC and the Chief Constable for the year ended 31 March 2014 in one place. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the PCC's and Chief Constable's financial statements for the year ended 31 March 2014 present a true and fair view of the financial position, their expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We issue separate audit opinions on the financial statements of the PCC and the Chief Constable.

We also required to report whether the PCC and Chief Constable have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2014, referred to as the value for Money conclusion. We issue separate conclusions for the PCC and the Chief Constable based on our assessment of the arrangements each has established.

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan on 17 June 2014.

Our audit is substantially complete although we are finalising our work in the following areas:

- assurances from Devon Pension Fund auditors
- direct confirmation of all investments
- review of the final versions of the financial statements
- obtaining and reviewing the final management letters of representation
- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion and
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

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

### **Financial statements opinion**

We expect to issue an unqualified opinion on the PCC's financial statements, including the group accounting statements which consolidate the financial activities of the Chief Constable, by 30 September 2014.

The financial statements and supporting working papers were of a good quality.

Our audit identified a number of disclosure adjustments to the PCC's financial statements which management has agreed to make. None of the amendments affected the reported financial performance for the year.

We have included further details of our audit findings in section 2 of this report.

### **Value for money conclusion**

Based on our review of the PCC's arrangements to secure economy, efficiency and effectiveness in their use of resources, we expect to give an unqualified value for money conclusion on the same date as our opinion on the financial statements.

We have set out further details of the findings and recommendations from the work supporting our value for money conclusion in section 3 of this report.

### **Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

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

### **Financial statements opinion**

We expect to issue an unqualified opinion on the Chief Constable's financial including the police officer pension fund accounting statements by 30 September 2014.

The financial statements and supporting working papers were of a good quality.

Our audit identified a small number of disclosure adjustments to the Chief Constable's financial statements which management has agreed to make. None of the amendments affected the reported financial performance for the year.

We have included further details of our audit findings in section 2 of this report.

### **Value for money conclusion**

Based on our review of the Chief Constable's arrangements to secure economy, efficiency and effectiveness in their use of resources, we expect to give an unqualified value for money conclusion on the same date as our opinion on the financial statements.

We have set out further details of the findings and recommendations from the work supporting our value for money conclusion in section 3 of this report.

## **Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**September 2014**

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## Section 2: Audit findings

01. Executive summary

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# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. This section sets out the work we have performed and findings in respect of the audit risks we identified in our Audit Plan (presented to the Joint Audit Committee on 17 June 2014). We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 17 June 2014.

## **Opinion**

We anticipate that we will provide the Police and Crime Commissioner and Chief Constable with unmodified opinions by 30 September 2014. Our audit opinions are set out in Appendices A and B.

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p><b>PCC and Chief Constable Audits</b></p> <ul style="list-style-type: none"> <li>• Review and testing of revenue recognition policies</li> <li>• Testing of material revenue streams (other revenues and grant revenues)</li> <li>• Review of year end reported balances and journal testing</li> </ul>	<p><b>PCC and Chief Constable Audits</b></p> <p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<p><b>PCC and Chief Constable Audits</b></p> <ul style="list-style-type: none"> <li>• Discussion of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions</li> <li>• Review of assurances from the PCC and CC in relation to fraud, law and regulations</li> </ul>	<p><b>PCC and Chief Constable Audits</b></p> <p>Our audit work has not identified any evidence of management override of controls.</p> <p>Our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Operating expenses</b></p>	<p><b>PCC and Chief Constable Audits</b> Creditors understated or not recorded in the correct period</p>	<p><b>PCC and Chief Constable Audits</b> We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Review of system documentation and walkthrough of transactions</li> <li>• Testing of a sample of creditor payments posted to revenue expenditure in months 1 to 12 to ensure that they relate to the PCC/Chief Constable, are correctly coded and have been correctly treated</li> <li>• Reconciling the operating expenses figure in the Comprehensive Income and Expenditure Statement (and supporting notes) to the general ledger and the subsidiary accounts system</li> <li>• Review of creditors / liability balances for unusual amounts, including testing of accruals and review of estimation techniques</li> <li>• Review for unrecorded liabilities, review of payments made after the year end</li> <li>• Review of the accrual process for goods received notes not invoiced and unmatched purchase orders to ensure these have been included in year end accruals</li> </ul>	<p><b>PCC and Chief Constable Audits</b> Our audit work has not identified any significant issues.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Employee remuneration</b></p>	<p><b>PCC and Chief Constable Audits</b> Employee remuneration accrual understated</p>	<p><b>PCC and Chief Constable Audits</b></p> <ul style="list-style-type: none"> <li>• Review of system documentation and walkthrough of transactions</li> <li>• Testing of payroll payments to underlying evidence and for correct classification</li> <li>• Reconciling the payroll figure in the Comprehensive Income and Expenditure Statement (and supporting notes) to the general ledger and payroll subsidiary system</li> <li>• Review of payroll accrual processes and substantive testing of any significant payroll creditors</li> <li>• Review of pensions disclosures and agreement to underlying evidence for completeness and accuracy</li> <li>• Review of senior managers remuneration, salary banding and exit packages disclosures, for completeness and accuracy</li> </ul>	<p><b>PCC and Chief Constable Audits</b></p> <p>Our audit work has not identified any significant issues.</p>
<p><b>Property, plant &amp; equipment</b></p>	<p><b>PCC Audit</b> PPE activity not valid</p>	<p><b>PCC Audit</b></p> <ul style="list-style-type: none"> <li>• Review of system documentation and walkthrough of transactions</li> <li>• Year end reconciliation review and agreement to the trial balance and ledger.</li> <li>• Testing of samples of PPE assets re existence, ownership, additions and depreciation.</li> </ul>	<p><b>PCC Audit</b></p> <p>Our audit work has not identified any significant issues.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Pensions benefits payable</b></p>	<p><b>Chief Constable Audit</b> Benefits improperly computed / Claims liability understated</p>	<p><b>Chief Constable Audit</b></p> <ul style="list-style-type: none"> <li>• Review of system documentation and walkthrough of transactions</li> <li>• Testing of commutation payments to underlying evidence and for correct classification</li> <li>• Undertake analytical procedures to confirm that balances are in line with expectations</li> <li>• Test of commutations and benefit payments</li> <li>• Review of service provider report and confirmation of key controls.</li> </ul>	<p><b>Chief Constable Audit</b></p> <p>Our audit work has not identified any significant issues.</p>
<p><b>Accounting Code of Practice 2013/14</b></p>	<p><b>PCC and Chief Constable Audits</b></p> <p>The key changes introduced by the Code includes:</p> <ul style="list-style-type: none"> <li>• Property, Plant and Equipment (PPE)</li> <li>• IAS1 Presentation of Financial Statements</li> <li>• IAS19 Employee Benefits;</li> <li>• Non Domestic Rates</li> </ul> <p>In relation to PPE, the Code has clarified the requirements and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.'</p>	<p><b>PCC and Chief Constable Audits</b></p> <ul style="list-style-type: none"> <li>• Check the Code requirements have been complied with and test balances as appropriate to confirm this</li> <li>• Check the disclosure requirements of the Code have been complied with</li> </ul>	<p><b>PCC and Chief Constable Audits</b></p> <p>Our audit work has not identified any significant issues.</p>

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p><b>PCC Audit</b></p> <ul style="list-style-type: none"> <li>Revenue in respect of fees and charges is accounted for at the date the PCC provides the relevant goods and services</li> <li>Specific policies are in place for the recognition of revenue relating to grant income, interest receivable, debtors and council tax income</li> </ul>	<p><b>PCC Audit</b></p> <p>We have considered the:</p> <ul style="list-style-type: none"> <li>Appropriateness of policy under relevant accounting framework</li> <li>Extent of judgement involved</li> <li>Adequacy of disclosure of accounting policy</li> </ul> <p>There are no issues we need to bring to your attention.</p>	●
<b>Judgements and estimates</b>	<p><b>PCC and Chief Constable Audits</b></p> <ul style="list-style-type: none"> <li>Key estimates and judgements include :                             <ul style="list-style-type: none"> <li>allocation and apportionment of expenditure between the PCC and Chief Constable</li> <li>provisions and contingent liabilities</li> <li>pension liabilities</li> <li>revaluations and impairments</li> <li>accruals and prepayments</li> <li>deferred and accrued income</li> </ul> </li> </ul>	<p><b>PCC and Chief Constable Audits</b></p> <p>We have considered the:</p> <ul style="list-style-type: none"> <li>Appropriateness of policy under relevant accounting framework</li> <li>Extent of judgement involved</li> <li>Potential financial statement impact of different assumptions</li> <li>Adequacy of disclosure of accounting policy</li> </ul> <p>There are no significant issues we need to bring to your attention.</p>	●

## Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Judgements and estimates - PPE</b>	<p><b>PCC Audit</b></p> <ul style="list-style-type: none"> <li>In relation to PPE, the Code has clarified the requirements and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period'</li> <li>Note D.1(f) of the accounts sets out the PCC's approach on revaluations. This states that land and buildings are revalued every five years and this was last done as at 1 April 2009. However each year the external valuer undertakes a review to identify significant changes to the valuation of assets, and where identified they revalue those assets</li> </ul>	<p><b>PCC Audit</b></p> <ul style="list-style-type: none"> <li>In our view the PCC's valuation approach is unlikely to meet the Code's requirement going forward, given the current changes in land and property values and construction prices, therefore the PCC should reconsider its approach in this area to ensure more frequent valuations are undertaken.</li> <li>The Code also has guidance on rolling programmes (should this approach be followed) which requires classes of PPE to be revalued simultaneously to avoid selective revaluation of assets and the reporting amounts in the financial statements that are a mixture of costs and values as at different dates.</li> </ul>	●
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</li> </ul>	<ul style="list-style-type: none"> <li>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.</li> </ul>	●

## Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

## Adjusted misstatements - Police and Crime Commissioner financial statements

There were no adjusted misstatements.

## Adjusted misstatements - Chief Constable financial statements

There were no adjusted misstatements.



# Misclassifications & disclosure changes - Police and Crime Commissioner

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	Various	<p><b>Financial Instruments - Note J.1 and J.2</b></p> <p>A number of changes were made to the financial instruments note to ensure consistency with the financial statements. Amendments were made to the following entries:</p> <ul style="list-style-type: none"> <li>• Creditors</li> <li>• Credit risk – Other debtors</li> <li>• Liquidity risk - Loans</li> <li>• narrative notes.</li> </ul>	None
2 Disclosure	1,039	<p><b>Property, Plant and Equipment – Note D1f</b></p> <p>The net revaluation balance reported in Note D1.f of £1,317k is incorrect. The correct figure is £1,039k. The figure has been removed as it is not required in the note.</p>	None
3 Disclosure	11,608	<p><b>Explanatory Foreword – Actual Expenditure – Note 5</b></p> <p>The Group/PCC transfer of reserves figures in the Explanatory Foreword was amended from £12,088k to £11,608k to ensure consistency with the main financial statements</p>	None
4 Disclosure	Various	<p><b>Pensions - Notes J.4 and J.5b</b></p> <p>A number of changes were made in respect of police pensions disclosures. Amendments were made to the pension reserve (Note J4) and Employers contributions (Note J5b) notes.</p>	None

# Misclassifications & disclosure changes - Police and Crime Commissioner

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
5 Disclosure	-	<p><b>Significant estimates and judgements/estimation uncertainty – Note I.2</b></p> <p>Further information has been added on the assumptions relating to the PPE valuation assumptions.</p>	None
6 Disclosure	Various	<p><b>Operating Leases – Note J.7</b></p> <p>The operating lease disclosure notes were updated as follows:</p> <ul style="list-style-type: none"> <li>• 1-5 years revised from £2,809k to £2,395k</li> <li>• Later than 5 years revised from £2,072k to £1,547k</li> <li>• Total revised from £5,721k to £4,827k.</li> </ul>	None
7 Disclosure	Various	<p><b>Explanatory Foreword – Cash Flow – Note 12.1</b></p> <p>The cash increase reported was amended from £29,945k to £30,243k</p> <p>The reduction in investments was amended from £26,323k to £24,543k.</p>	None
8 Disclosure	-	<p><b>Annual Governance Statement (AGS)</b></p> <p>The significant governance issues reported in the AGS include a number of issues that are not gaps or weaknesses in governance arrangements, but are changes to or planned changes to arrangements. These should be included within the earlier sections as this section focuses on issues that require actions to address those gaps / weaknesses.</p>	None

## Misclassifications & disclosure changes - Chief Constable

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	Various	<p><b>Pensions – Notes J4 and J5b</b></p> <p>A number of changes were made in respect of police pensions disclosures. Amendments were made to the pension reserve (Note J4) and Employers contributions (Note J5b) notes.</p>	None
2 Disclosure	-	<p><b>Annual Governance Statement (AGS)</b></p> <p>The significant governance issues reported in the AGS include a number of issues that are not gaps or weaknesses in governance arrangements, but are changes to or planned changes to arrangements. These should be included within the earlier sections as this section focuses on issues that require actions to address those gaps / weaknesses.</p>	None

## Unadjusted misstatements - Police and Crime Commissioner financial statements

There were no unadjusted misstatements.

## Unadjusted misstatements - Chief Constable financial statements

There were no unadjusted misstatements.

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

We have not identified any deficiencies during the course of our audit.

## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Joint Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the PCC and Chief Constable.</li> <li>In particular, representations will be requested from management in respect of the valuations of property, plant and equipment.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed.</li> </ul>
6.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the PCC's and the Chief Constable's decision to prepare the financial statements on a going concern basis.</li> </ul>

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## Section 3: Value for Money

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# Value for Money

## Value for money conclusion

The Code of Audit Practice (the Code) describes the PCC's and the Chief Constable's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

**The PCC and the Chief Constable each has proper arrangements in place for securing financial resilience** - the PCC and the Chief Constable each has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables them to continue to operate for the foreseeable future.

**The PCC and the Chief Constable each has proper arrangements for challenging how they secure economy, efficiency and effectiveness** - the PCC and the Chief Constable are prioritising their resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings - PCC and Chief Constable

### Securing financial resilience

We have considered the PCC's and Chief Constable's arrangements to secure financial resilience. The results of our high level review are set out in the following table.

Area reviewed	Assessment	Comment
Financial Indicators	Adequate arrangements	An underspend of £5.5m was reported in 2013/14, whilst delivering savings of £7.5m.
Financial governance	Adequate arrangements	The PCC and Chief Constable have a good understanding of financial matters and there is an adequate level of reporting.
Financial Planning	Adequate arrangements	<p>The Medium Term Financial Plan (MTFP) is appropriately focussed, planning assumptions appear reasonable, there are clear links to the annual planning cycle and it is subject to regular review.</p> <p>The force has clear plans to achieve the £5.6m savings needed in 14/15. In 15/16 the force is facing a further £4.7m savings target and has plans in place to achieve these savings.</p> <p>The PCC and Chief Constable have agreed a financial road map as an approach to future funding reductions.</p>
Financial control	Adequate arrangements	Detailed reports on delivery of savings plans are reported annually as part of the outturn. This could be enhanced further as achievement becomes more challenging.



# Value for Money

## Review of the work of other regulatory bodies or inspectorates

We reviewed HMIC's report *Responding to Austerity*. This report was positive and concluded that Devon and Cornwall has continued to make good progress in achieving savings despite facing a very difficult challenge. The overall judgement was 'Good'.

The overall summary is shown below.



The findings support our conclusion that Devon and Cornwall Police have adequate arrangements to secure financial resilience.

## Challenging economy, efficiency and effectiveness

We have considered the PCC and Chief Constable's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency and productivity

The results of our high level review are set out below.

Area reviewed	Assessment	Comment
Prioritising resources	Adequate arrangements	<p>There is evidence of leadership and challenge in prioritising resources.</p> <p>The PCC has agreed the Police and Crime Plan with the Chief Constable, who has developed a delivery plan.</p> <p>Progress against the targets is discussed at the Force Management Board and Joint Management Board and in detail at the Performance Accountability Board.</p>
Improving efficiency and productivity	Adequate arrangements	<p>There is evidence that the Chief Constable is reviewing alternative methods of delivery.</p> <p>Collaboration / partnership arrangements, are progressing with the aim of improving economy and effectiveness.</p> <p>The Force is developing collaboration arrangements with Dorset and regional collaboration in the South West is well established.</p>

# Value for Money

In our Audit Plan, we also said that we would track progress in the following areas:

- developments in governance and accountability
- plans for collaboration and strategic working
- the Stage 2 transfer
- financial resilience, developing the medium term financial plan and delivery of savings plans
- the implementation of the UNIFI project
- the outcomes of the job evaluation exercise
- the impact of the A19 ruling.

We have not identified any significant risks that impact on our value for money conclusion.

## **Overall VFM conclusion**

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 Chief Constable have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

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## Section 4: Fees, non audit services and independence

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# Fees, non audit services and independence

We confirm below our final fees charged for the audit. There were no fees for non-audit services.

## Fees

	Per Audit plan £	Actual fees £
Police and Crime Commissioner	48,470	48,470
Chief Constable	25,000	25,000
<b>Total audit fees</b>	<b>73,470</b>	<b>73,470</b>

## Fees for other services

Service	Fees £
None	Nil

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 5: Communication of audit matters

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# Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report 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)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit Plan	Audit Findings
<b>Our communication plan</b>		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

# Appendix A: Audit opinion

**We anticipate we will provide the PCC with an unmodified audit report**

## **INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL**

### **Opinion on the financial statements**

We have audited the financial statements for the Police and Crime Commissioner for Devon and Cornwall for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Police and Crime Commissioner Single Entity and Group Movement in Reserves Statement, the Police and Crime Commissioner Single Entity and Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner Single Entity and Group Balance Sheet, the Police and Crime Commissioner Single Entity and Group Cash Flow Statement and the related notes and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the Police and Crime Commissioner for Devon and Cornwall in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner Single Entity and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the foreword to the accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Devon and Cornwall as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the foreword to the accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.



**Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

**Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Respective responsibilities of the Police and Crime Commissioner and the auditor**

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Police and Crime Commissioner has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Police and Crime Commissioner for Devon and Cornwall put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

**Certificate**

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Devon and Cornwall in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Alex Walling  
Associate Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Hartwell House | 55-61 Victoria Street | Bristol | BS1 6FT  
x September 2014

# Appendix B: Audit opinion

**We anticipate we will provide the Chief Constable with an unmodified audit report**

## INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR DEVON AND CORNWALL

### Opinion on the financial statements

We have audited the financial statements of the Chief Constable for Devon and Cornwall for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the Chief Constable for Devon and Cornwall in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Director of Finance and Resources and auditor

As explained more fully in the Statement of the Director of Finance and Resource's Responsibilities, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the foreword to the accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Devon and Cornwall as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

### Opinion on other matters

In our opinion, the information given in the foreword to the accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Chief Constable to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

**Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Respective responsibilities of the Chief Constable and the auditor**

The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Chief Constable has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Chief Constable for Devon and Cornwall put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

**Certificate**

We certify that we have completed the audit of the financial statements of the Chief Constable for Devon and Cornwall in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Alex Walling  
Associate Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House | 55-61 Victoria Street | Bristol | BS1 6FT  
x September 2014



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