

# Joint Audit Plan for Devon and Cornwall Police and Crime Commissioner and Chief Constable

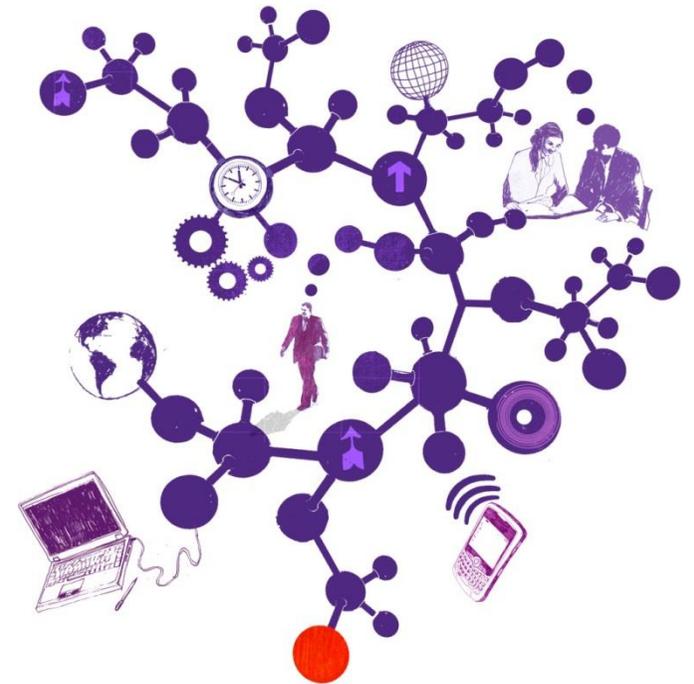
**Year ended 31 March 2015**

June 2015

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

**Chris Rockey**  
Manager  
T 0117 3057849  
E [chris.rockey@uk.gt.com](mailto:chris.rockey@uk.gt.com)

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



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the PCC/CC or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

---

# Contents

Section	Page
Understanding your business	4
Developments relevant to your business and the audit	5
Our audit approach	6
Significant risks identified	7
Other risks identified	8
Group audit scope and assessment	9
Results of interim work	10
Value for money	12
Key dates	13
Fees and independence	14
Communication of audit matters with those charged with governance	15

# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Police and Crime Commissioner (PCC) and the Chief Constable (CC) are facing. We set out a summary of our understanding below.

## Challenges/opportunities

### 1. Governance and Accountability

- Continued development and embedding of new arrangements e.g. joint audit committees and police and crime panels
- Transparency of decision making and public accountability

### 2. Strategic Partnerships and Collaboration

- There is an expectation from government that police bodies should work collaboratively to improve services and achieve efficiencies
- PCCs and Chief Constables have agreed a Strategic Alliance where the two forces collaborate across areas of policing to deliver savings and ensure service resilience
- The strategic alliance is planned to realise savings of £8.4m when implemented in total

### 3. Financial pressures

- The current economic climate along with reducing financial settlements will put police resources under growing pressure
- Cuts in Government funding leave the Devon and Cornwall force facing a budget shortfall
- The future financial roadmap 2015/16 to 2018/19, identifies potential savings of £19.2m and requires further savings of £9.8m to be made

### 4. Other

- The Stage 2 Transfer came in to effect from 1 April 2014 and has formalised the legal allocation of staff, assets and liabilities between the PCC and the Chief Constable
- The impact of the A19 ruling is pending due to appeal

## Our response

- We will discuss your progress with you through our regular meetings, providing advice and support where appropriate
- We will continue to support the sector through our programme of regional and national seminars and networking events
- Through our national campaigns we will build on our position as the largest supplier of audit in the police sector to identify common issues and share good practice

- We will consider your plans for collaboration and partnership working as part of our value for money conclusion work

- We will undertake a review of Financial Resilience as part of our value for money conclusion work
- This will include review of the medium term financial plan and the management and delivery of savings plans

- We will consider the potential impact on your financial statements for 2014/15 and future accounting periods

# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the Code') and associated guidance.

## Developments and other requirements

### 1. Financial reporting

- Changes to the CIPFA Code of Audit Practice including the adoption of IFRS 11, accounting for joint operations and joint ventures
- De-cluttering of the accounts
- Plans to bring forward the financial reporting timetable in preparation for the July 2018 deadline for conclusion of the audit

### 2. Reducing the overall cost of policing

- The Home Office released details of the 2015/16 police funding formula in December 2014
- Fiscal austerity is expected to continue until at least 2019, regardless of the outcome of the next general election
- The Home Office budget has already been cut by almost 25% over the five years to 2015/16 (Institute for Fiscal Studies)

### 3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

### 4. Other requirements

- The PCC is required to submit a Whole of Government Accounts (WGA) pack based on the group accounts on which we provide an audit opinion

## Our response

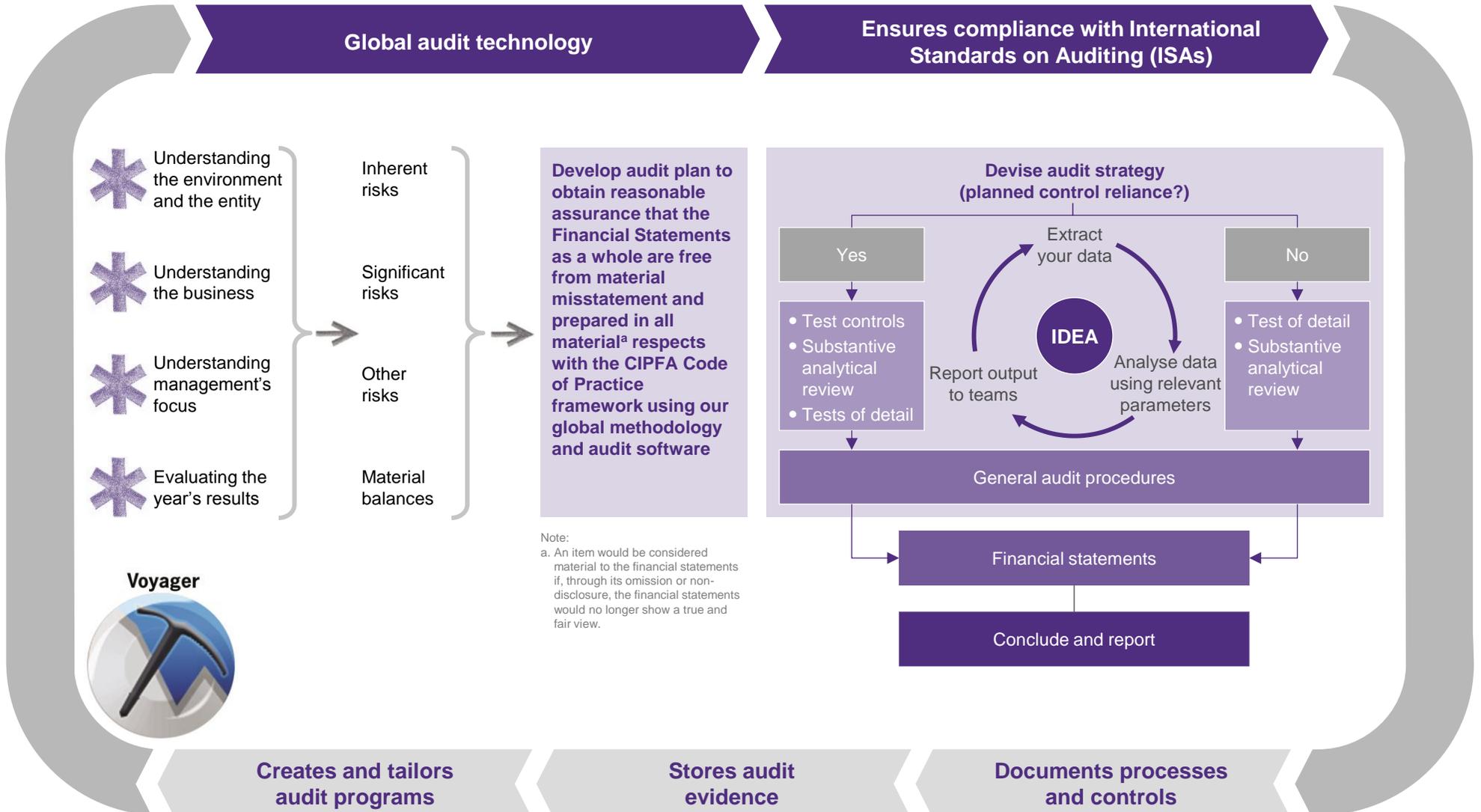
- We will work with you to assess whether the PCC and the Chief Constable comply with the requirements of the Code
- We will discuss opportunities to de-clutter the accounts, to ensure they are shorter and better focused
- We have experience of earlier closure in other sectors and will work with you to provide practical assistance as required

- We will discuss the impact of the settlement on the medium term financial strategy and police and crime plan through our regular meetings with you
- We will review your performance against the 2014/15 budget, including consideration of performance against savings targets included in the MTFS and police and crime plan
- We will undertake a review of financial resilience as part of our value for money conclusion

- We will review the arrangements the PCC and the Chief Constable have in place for the production of their joint AGS
- We will review the joint AGS and the explanatory forewords to consider whether they are consistent with our knowledge and with your accounts

- We will carry out work on the WGA pack in accordance with requirements

# Our audit approach



# Significant risks identified

'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 outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below.

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue	<p>We have rebutted this presumed risk for PCC because:</p> <ul style="list-style-type: none"> <li>• Revenue is principally grant allocations from central government and precept income from local Councils</li> </ul> <p>We have rebutted this presumed risk for the CC because:</p> <ul style="list-style-type: none"> <li>• Revenue is an inter group transfer from PCC</li> <li>• Revenue does not involve cash transactions</li> </ul> <p>We therefore do not consider this to be a significant risk for either PCC or the CC</p>
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities	<p><b>Work completed to date:</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 for months 1 to 10</li> <li>• Review of unusual significant transactions</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries for month 11 and 12 and the closedown period</li> <li>• Review of unusual significant transactions</li> </ul>

# Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Relevant to PCC / CC / Both?	Description	Work to be undertaken during interim audit	Further work planned
Operating expenses	Both	Creditors related to core activities understated or not recorded in the correct period	<ul style="list-style-type: none"> <li>• Identification of controls and walkthrough testing of the operating expenses transaction cycle</li> <li>• Obtain an understanding of the accruals process</li> </ul>	<ul style="list-style-type: none"> <li>• Review for unrecorded liabilities, including review of payments made after the year end to gain assurance over the completeness of the payables balance in the accounts</li> <li>• Review of creditors / liability balances for unusual amounts, including testing of accruals and review of estimation techniques</li> </ul>
Employee remuneration	Both	Employee remuneration and benefit obligations and expenses understated	<ul style="list-style-type: none"> <li>• Identification of controls and walkthrough testing of the employee remuneration transaction cycle (including processing of officer and staff overtime payments)</li> </ul>	<ul style="list-style-type: none"> <li>• Perform trend analysis to identify other areas that may require additional procedures and complete testing as appropriate.</li> <li>• Testing the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems</li> </ul>
Pensions benefits payable	CC	Benefits improperly computed / claims liability understated	<ul style="list-style-type: none"> <li>• Identification of controls and walkthrough testing of the pension benefit payments transaction cycle</li> </ul>	<ul style="list-style-type: none"> <li>• Test a sample of new pension benefits coming into payment and confirm eligibility and agree amounts to underlying evidence</li> <li>• Test a sample of commutation payments to underlying evidence and confirm properly computed</li> </ul>

---

# Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

For accounting purposes the Chief Constable is considered a subsidiary of the Police and Crime Commissioner. As such, the financial information of the Chief Constable is consolidated within the PCC group accounts. We will comply with the requirements of ISA 600 in carrying out our audit of the Chief Constable financial statements and of the group.

Component	Significant?	Level of response required under ISA 600	Planned audit approach
PCC (parent)	Yes	Comprehensive	Full scope statutory audit performed by Grant Thornton UK LLP
CC (subsidiary)	Yes	Comprehensive	Full scope statutory audit performed by Grant Thornton UK LLP

# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Relevant to PCC / CC / Both?	Work performed and findings	Conclusion
<b>Internal audit</b>	Both	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to the PCC's or the Chief Constable's attention.</p> <p>We also reviewed internal audit's work on the PCC's and the Chief Constable's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the PCC and the Chief Constable and that internal audit work contributes to an effective internal control environment at both entities.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Walkthrough testing</b>	Both	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements of the PCC and the Chief Constable.</p> <p>Our work has not identified any issues which we wish to bring to the PCC's or the CC's attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach for the PCC and the Chief Constable.</p>
<b>Review of information technology controls</b>	Both	<p>We are planning to perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. We will also perform a follow up of the issues that were raised last year.</p>	<p>Our work is outstanding at the time of preparing our Audit Plan. We will be able to provide a verbal update by the time of the Audit Committee meeting in June.</p>

# Results of interim audit work

	Relevant to PCC / CC / Both?	Work performed	Conclusion
<b>Journal entry controls</b>	Both	<p>We have reviewed journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the their control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first ten months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>Our work to date has not identified any weaknesses which impact on our audit approach.</p> <p>We plan to review year-end controls and undertake detailed testing of journal transactions recorded for the remaining months of the financial year and closedown period during the accounts audit.</p>
<b>Early controls and substantive testing</b>	Both	<p>We have completed early substantive testing in a number of areas to reduce the year end workload and to provide earlier assurances to the PCC and CC.</p> <p>We have performed testing of transactions in months 1 to 10 in the following areas:</p> <ul style="list-style-type: none"> <li>• Revenues (non-grant income)</li> <li>• Operating expenses (accounts payable payments)</li> <li>• Police pension commutation payments (includes ill-health payments)</li> </ul> <p>We have also confirmed the rights and obligations to your significant land and building assets by checking title deeds.</p> <p>We have also selected a sample of employee remuneration (payroll) transactions for testing and officers are currently obtaining documents to support those transactions.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>We plan to undertake detailed testing on transactions recorded for the remaining months of the financial year during the accounts audit.</p>
<b>Value for money</b>	Both	<p>We updated our detailed risk assessment, which is used to inform our Value for Money Conclusion.</p> <p>Initial areas for review have been highlighted the 'Understanding your Business' section of this Plan. We will continue to update our risk assessment and inform management of any further areas of work.</p>	<p>We will report our findings from this review within our Audit Findings Report at the year end.</p>

# Value for money

## Value for money

The Code requires us to issue conclusions on whether the PCC and the Chief Constable have each put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. These are known as Value for Money (VfM) conclusions. We issue separate conclusions for the PCC and for the Chief Constable.

Our VfM conclusions for the PCC and the Chief Constable are based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

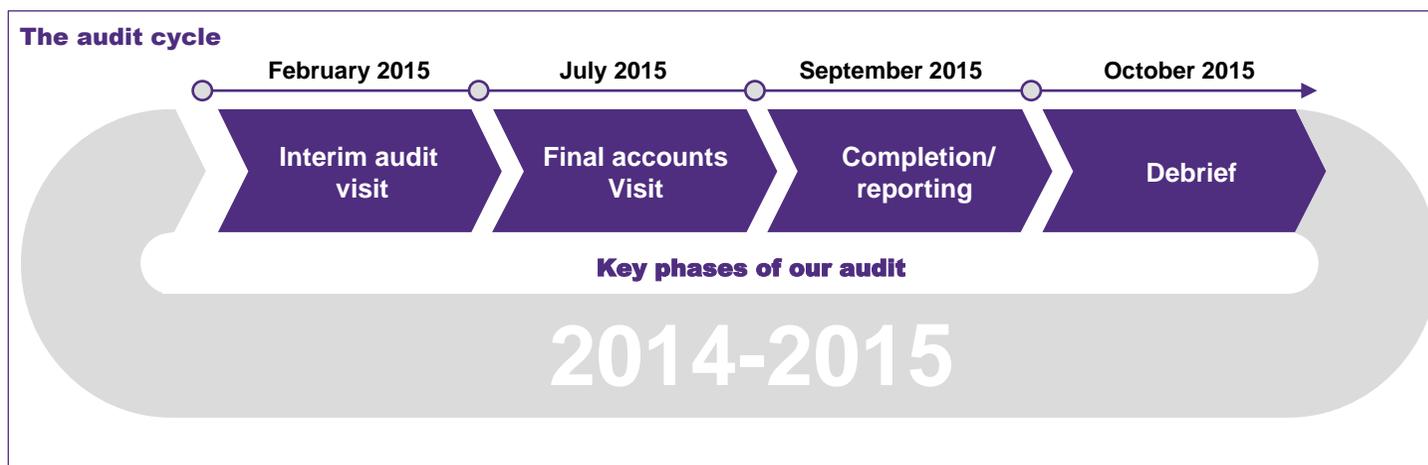
We have undertaken a risk assessment to identify areas of risk to our VfM conclusions.

We have not identified any significant risks, but will track progress in the following areas:

- developments in governance and accountability and plans for collaboration and strategic working
- financial resilience, the medium term financial plan and delivery of savings plans.

The results of our VfM audit work and the key messages arising will be reported in our joint Audit Findings report to the PCC and the Chief Constable and in the Annual Audit Letters.

# Key dates



<b>Date</b>	<b>Activity</b>
<b>February 2015</b>	Planning
<b>February / March 2015</b>	Interim site visit
<b>April 2015</b>	Presentation of Audit Plan to Joint Audit Committee
<b>April 2015</b>	Present audit plan to PCC and the Chief Constable as Those Charged with Governance
<b>July 2015 – August 2015</b>	Year end fieldwork
<b>Early September 2015</b>	Audit findings clearance meeting with the PCC's and the Chief Constable's Chief Finance Officers
<b>End September 2015</b>	Report audit findings to the Joint Audit Committee (including presenting audit findings to the PCC and the Chief Constable as Those Charged with Governance prior to their approval of their accounts)
<b>End September 2015</b>	Sign financial statements opinion

# Fees and independence

## Fees

	£
Police and Crime Commissioner	48,470
Chief Constable	25,000
<b>Total fees for the Group (excluding VAT)</b>	<b>73,470</b>

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the PCC and the Chief Constable and their activities, have not changed significantly
- The PCC and the Chief Constable will make available management and accounting staff to help us locate information and to provide explanations.

## 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 the PCC's and the Chief Constable's 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.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

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

# Communication of audit matters with those charged with governance

International Standards 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.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to PCC/CC.

## Respective responsibilities

This plan 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 PCC's and CC'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 PCC's and CC's key risks when reaching our conclusions under the Code.

It is the responsibility of the PCC and CC 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 PCC and CC are 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 issue 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		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



© 2014 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires.

Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**