

**JOINT INDEPENDENT AUDIT COMMITTEE
FINANCIAL STATEMENTS
9 JUNE 2015**

SUBJECT		FINANCIAL STATEMENTS 2014/15
REPORT BY	PCC CHIEF FINANCE OFFICER & FORCE CHIEF FINANCE OFFICER	
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SUMMARY AND PURPOSE OF REPORT To enable consideration and review of the 2014/15 draft Financial Statements for the Police and Commissioner Group, the Police and Crime Commissioner (PCC) and Chief Constable (CC) entities, prior to external audit by KPMG, the appointed external auditors.		
RECOMMENDATION	That the unaudited Financial Statements for 2014/15 are considered and reviewed prior to presentation to external audit.	

A. Supporting Information

1. Introduction

- 1.1. The Draft Financial statements for the PCC Group & PCC and Chief Constable for 2014/15 are attached to this report. The accounts are substantially complete, there are however a small number of areas in the notes to the accounts that are subject to on-going review prior to the formal sign off and release for audit. In particular the accounting disclosures relating to the following items are still being considered and may be subject to change:

- Fixed Assets PCC Group Note 13 – Disclosure of finance lease items.
- Collaborations and Jointly Controlled Operations are still to be finalised with other forces. The figures presented include the opening balances, where applicable, however the information for the 2014/15 year is not yet consolidated into the accounts.

It is not considered that any of these items will be material to the overall presentation of the accounts. An update on these items and their likely impact on the accounts will be provided at the meeting. All changes will be tracked through version control within the main documents.

- 1.2. The Accounts have been compiled in accordance with and as required by the Accounts and Audit Regulations 2011, the Code of Practice on Local Authority Accounting 2014/15 and also the Service Reporting Code of Practice 2014/15. The accounting practices are largely consistent with International Financial Reporting Standards (IFRS), however, International Public Sector Accounting Standards and UK accounting practices override IFRS in some instances.
- 1.3. The Accounts and Audit Regulations 2011 (Regulation 8) introduced a change to the process for the approval of the statements of accounts. The Chief Finance Officer

should “sign and date the statement of accounts and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body’s income and expenditure for that year” no later than 30 June. In addition the Department for Communities and Local Government has indicated that it is good practice to present the accounts to the Audit Committee giving early notification of the outcome of the previous financial year. These accounts are therefore presented for information prior to the final certification and submission for audit. Once certified by the respective Chief Finance Officers, copies of the PCC and Chief Constable accounts will be published on the relevant websites with a clear notification that the accounts are subject to audit.

- 1.4. The accounts perform an important stewardship and accountability role for the use of public money. They are required to be produced in accordance with the rules detailed in paragraph 1.3. The accounting rules and in particular the introduction of IFRS has created a technical and detailed document. A simplified version of the Accounts is produced to aid the lay reader and this will be available for the September meeting of the Committee.
- 1.5. The outturn spend and implications for the PCC’s reserves were considered by the Resources Governance Meeting of the PCC in April 2015. The PCC made a formal decision on transfers to and from reserves which have been incorporated into the statements presented here.
- 1.6. The accounts are subject to audit by the PCC Group’s appointed external auditors, KPMG. This audit will take place in June with the Auditors reporting their findings to the September meeting of this Committee, which will include the audit opinion on the financial statements and the value for money opinion.
- 1.7. The following notes provide explanation of the contents of the accounts rather than focusing on the details. The key highlights will be covered in the notes accompanying the accounts.

2. Key Changes From 2013/14 Accounts

There have been no major changes to the preparation of the accounts for 2014/15 compared to 2013/14, there are therefore no changes to accounting policies and practices which need to be separately disclosed.

Changes have been made to the presentation and format of the accounts and the document has been re-ordered. Contents pages have been inserted and are linked for ease of navigation in electronic forms of the document.

3. Financial Statements

3.1. Explanatory Foreward

The purpose of the explanatory forward is to provide a commentary on the financial statements. It should include an explanation of the key events and their effect on the financial statements.

3.2. Statement of Responsibilities

The purpose of the statement of responsibilities is to formally state the responsibilities of the PCC, the CC and their respective CFO's. They are each required to certify their statements.

3.3. Annual Governance Statement

The Annual Governance Statement (AGS) sets out the arrangements the body has put in place to manage and mitigate the risks it faces when meeting its responsibilities. The AGS should give the reader a clear sense of the risks facing the body and the controls in place to manage them.

3.4. Movement in Reserves Statement

Reserves represent the body's net worth at the point in time of the accounts closure. Reserves are analysed into two categories: Usable and unusable.

Usable reserves result from the activities of the PCC and CC and can be spent in future. Unusable reserves derive from accounting adjustments and cannot be spent.

3.5. Comprehensive Income and Expenditure Statement

The Comprehensive Income & Expenditure Statement (CIES) reports on how the performed during the year and whether the operations resulted in a surplus or deficit.

3.6. Balance Sheet

The Balance Sheet is a snapshot of the body's financial position, showing what it owns and owes at 31 March 2015.

3.7. Cashflow Statement

The Cashflow sets out the cash receipts and payments during the year, analysing them into operating, investing and financing activities.

3.8. Notes to the Accounts

The notes support the main statements highlighted above and are referenced throughout the main statements. The accounting policies set out the rules that have been followed in compiling the accounts.

Notes have been prepared on the basis consistent with last year, and in the PCC accounts, present both Group and PCC balances and the comparative information.

The CC accounts have been prepared with only the notes considered applicable included in the accounts.

4. Summary

The accounts are complex and detailed, the information above is provided to help the Audit Committee understand the financial Statements and the basis on which they have been compiled..

Timescales for the completion of the Statements will be reduced by a month, with the sign off of accounts by 31 May and completion of audit by 31 July from 2016/17. This will involve changes to the way in which the accounts are prepared a process which has commenced this year.

The format of the accounts has been improved this year, to try and help the reader in working through the documents, it is recognised that this can always be improved upon and it would be appreciated if as part of the Committees review feedback on the following areas for future years could be considered.

- Are the accounts clear and concise?
- Are they presented in an easy to follow format?
- Is it easy to find the detail where applicable?
- Is the glossary complete and terms explained for all users to understand?
- Is it clear to the user where further information can be found / obtained?
- Where will / should the accounts be published and in what format?

B. Financial Considerations

The financial statements show the PCC's and CC's stewardship for the financial year 2014/15.

C. Legal and Human Rights Considerations

The statements are prepared so as to comply with all the statutory requirements and guidance.

D. Personnel, Equal Opportunities and Diversity Issues

(Including any impact or issues relating to Children & Young People)

None.

E. Review Arrangements

The financial statements will be reviewed by this committee at its meetings on 9 June and 8 September. The statements are subject to external audit.

F. Risk Management

There are risks in ensuring that the statements and disclosures comply fully with statutory requirements and guidance, and their interpretation. The closure of accounts process includes internal checks on compliance. The external auditor will also consider compliance with statutory requirements and guidance.

G. Public Access to Information

Information in the report along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation.