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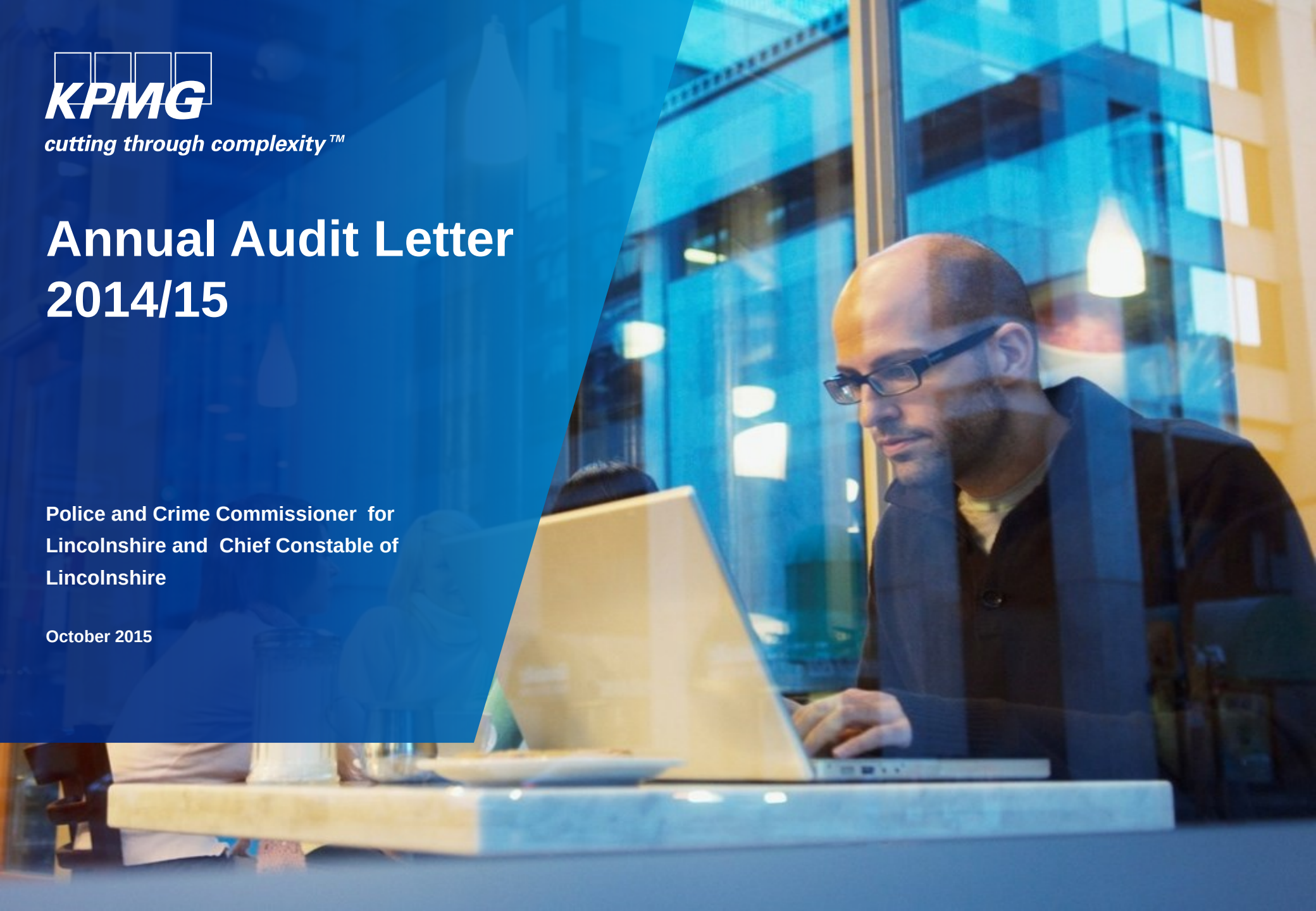
Annual Audit Letter 2014/15

Police and Crime Commissioner for Lincolnshire and Chief Constable of Lincolnshire

October 2015



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Headlines

This report summarises the key findings from our 2014/15 audit of the Police and Crime Commissioner for Lincolnshire ('the PCC') and the Chief Constable of Lincolnshire ('the CC').

Although this letter is addressed to the PCC and the CC, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our report covers the audit of the PCC and CC's 2014/15 financial statements and the 2014/15 VFM conclusions.

VFM conclusion	We issued an unqualified conclusion on the PCC and CC's arrangements to secure value for money (VFM conclusion) for 2014/15 on 22 September 2015. This means we are satisfied that that PCC and CC had proper arrangements for securing financial resilience and challenging how they secure economy, efficiency and effectiveness. To arrive at our conclusion we looked at the PCC and CC's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources.
VFM risk areas	We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. Our initial risk assessment work at the planning stage of the audit identified the following significant matter: ■ Challenges linked to managing savings plans to secure longer term financial and operational sustainability. We critically assessed the controls the PCC and CC have in place to ensure a sound financial standing and reviewed how they are planning and managing savings plans. We concluded that we did not need to carry out additional work for this risk as there was sufficient relevant work that had been completed by the PCC and CC in relation to this risk area. We concluded that the PCC/CC has to date responded well to the financial pressures, demonstrating good performance in identifying and delivering savings whilst maintaining the level of reserves. However, future plans are predicated on receiving further central government funding or increasing council tax, since the options for further savings without operational impact are minimal, and this is a relatively high risk strategy for achieving financial balance.
Audit opinion	We issued an unqualified opinion on the Authority's financial statements on 22 September 2015. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
Financial statements audit	We identified a number of issues in the course of the audit: ■ 3 material and a number of non material misstatements were corrected which is more than would normally be expected and some of these were similar to errors identified last year ■ We had identified the impact of the stage 2 transfer as a risk in the audit plan and linked to this there was a failure to split pension costs between the PCC and the CC at the point when the accounts were prepared. The revised accounts reflect the split of pensions in the balance sheet but there is still work to do in future years to split the pension costs between the PCC and CC accounts. ■ there continues to be scope for improvement in the availability and quality of supporting working papers, particularly those relating to property, plant and equipment (PPE).

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Headlines (continued)

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

Financial statements audit (continued)	As a consequence of the increased audit input required, an increase from the scale fee will be necessary and we have proposed to officers that subject to PSAA Ltd approval we will raise an additional fee of £2,595. We have had regular meetings with Officers throughout the year which has facilitated delivery of the audit and have already discussed how we can work together to secure further improvement next year.
Annual Governance Statement	We reviewed your *Annual Governance Statement* and concluded that it was consistent with our understanding.
Whole of Government Accounts	The PCC prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as you fall below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.
High priority recommendations	We raised one high priority recommendation as a result of our 2014/15 audit work linked to the need to improve the quality of working papers. This is detailed in Appendix 1.
Certificate	We issued our certificates on 22 September 2015. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.
Audit fee	Our fee for 2014/15 was £61,650, excluding VAT. This is £2,595 higher than the original proposed fee for the PCC due to the extra work involved in the final accounts audit. Further detail is contained in Appendix 3.

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Appendix 1: Key issues and recommendations

This appendix summarises the high priority recommendations that we identified during our 2014/15 audit, along with your responses to them.

Lower priority recommendations are contained, as appropriate, in our other reports, which are listed in Appendix 2.

We held a debrief meeting with officers on 22 September to discuss the learning points from this year's audit, including minor issues that we have not formally reported.

No.	Issue and recommendation	Management response / responsible officer / due date
1	The quality of the working papers in relation to capital accounting and capital financing were poor, with no detailed summary of asset movements and an over-reliance placed on system reports to substantiate figures. Improvements to the Authority's working papers are required.	Improvement of working papers continues to be a high priority for us and both the consistency and availability of working papers have progressed in response to last year's recommendation. It is recognised however that further work is required to continue that improvement and fully embed the auditor's requirements. In terms of the use of system reports this is an important part of the use of the t-police system with a movement away from a spreadsheet approach. Work will be required to improve the balance between system reports and working papers. **Responsible Officer: Reporting Manager** **Due Date 28th Feb 2016**

Follow up of previous recommendations

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. We are pleased to report that other than the reiteration of the recommendation above, the Authority has taken appropriate action to address the issues that we have previously highlighted through high priority recommendations.

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Appendix 2: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

December

2015

January

February

March

April

May

June

July

August

September

October

November

External Audit Plan (January 2015)

The *External Audit Plan* set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion.

Audit Fee Letter (April 2015)

The *Audit Fee Letter* set out the proposed audit work and draft fee for the 2015/16 financial year.

Auditor's Report (September 2015)

The *Auditor's Report* included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

Report to Those Charged with Governance (September 2015)

The *Report to Those Charged with Governance* summarised the results of our audit work for 2014/15 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.

Annual Audit Letter (October 2015)

This *Annual Audit Letter* provides a summary of the results of our audit for 2014/15.

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Appendix 3: Audit fees

This appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

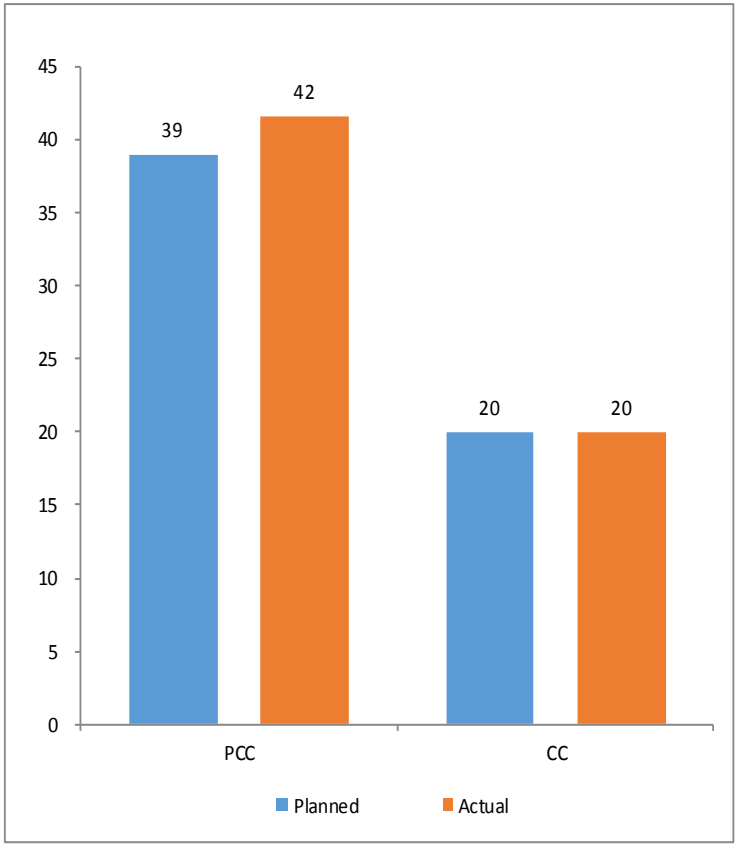
External audit

Our combined final fee for the 2014/15 audit was £61,650. This compares to a combined planned fee of £59,055. The £2,595 increase reflects the additional costs incurred due to the extra work involved in the final accounts. These costs have been attributed to the PCC audit as a significant aspect of this extra work related to reconciling the fixed asset register to the financial statements and the ledger

Our proposed additional fee is still subject to final determination by PSAA Ltd.

Other services

We did not charge any additional fees for other services.



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