



Annual Audit Letter 2017/18

**Police & Crime
Commissioner for
Lincolnshire
and
Chief Constable
for Lincolnshire**

August 2018



A group of business professionals in a meeting, looking at documents. The image is a close-up, slightly blurred, showing several people in business attire. A woman with dark hair is on the left, looking down. A man with grey hair is in the center, also looking down. Another woman is on the right, partially visible. They appear to be in a meeting or conference room, looking at documents or a screen. The overall tone is professional and focused.

Section one

Summary for Joint Independent Audit Committee

Section one:

Summary for Joint Independent Audit Committee

This Annual Audit Letter summarises the outcome from our audit work at the Police and Crime Commissioner for Lincolnshire ('the PCC') and the Chief Constable for Lincolnshire ('the CC'), in relation to the 2017/18 audit year.

Although it is addressed to Members, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

Audit opinion

We issued an unqualified opinion on the PCC and CC's 2017/18 financial statements on 31 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the PCC and CC and of their expenditure and income for the year.

Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £2.5 million which equates to around 1.7 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Joint Independent Audit Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.125 million.

We identified two audit adjustments impacting the primary statements with a total value of £3 million, a further two errors in disclosure with a total value of £18 million and a number of presentational issues. These adjustments resulted in no movement in the reported deficits on the provision of services.

Based on our work, we have raised one recommendation regarding the need for sufficient time to be built into the closedown timetable to enable an appropriate review of working papers to be undertaken and any necessary corrective action implemented before the commencement of the audit process. This was reported and accepted within our 2017/18 ISA260 report, and will be implemented in time for the production of the 2018/19 financial statements.

Our audit work was designed to specifically address the following significant risk:

Pensions Liabilities - The valuation of the Police and Crime Commissioner and Chief Constable's pension liabilities, as calculated by the Actuary, are dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. The importance over such data is increased in a year when a triennial revaluation is required, as was the case for 2017/18 in respect of the Police Pension Scheme.

There was a risk that the assumptions and methodology used in the valuation of the Police & Crime Commissioner's and Chief Constable's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

We reviewed the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation and found no issues.

Section one:

Summary for Joint Independent Audit Committee (cont.)

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we reviewed other information that accompanies the PCC's and CC's financial statements to consider their material consistency with the audited accounts. This year we reviewed the Annual Governance Statements and Narrative Reports. We concluded that they were consistent with our understanding and did not identify any issues.

Whole of Government Accounts

The Authority 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 the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.

Value for Money conclusion

We have concluded that the PCC and CC have made proper arrangements to secure economy, efficiency and effectiveness in their use of resources in 2017/18. We therefore issued an unqualified value for money opinion on 31 July 2018.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

Value for Money risk areas

We undertook a risk assessment as part of our 2017/18 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 work identified the following significant matter:

Medium Term Financial Planning – The Police and Crime Commissioner and Chief Constable continue to face significant financial pressures and uncertainties in relation to their future funding levels, with grant allocations for future years not yet being published. The Police and Crime Commissioner and Chief Constable need to continue their focus on having effective arrangements in place for managing their annual budgets, generating income and identifying and implementing any savings required to balance their medium term financial plans.

We considered the way in which the Police & Crime Commissioner and Chief Constable identified, approved, and monitored both savings plans and how budgets are monitored throughout the year to ensure financial resilience, and were satisfied that this had been undertaken diligently and effectively.

High priority recommendations

We raised no high priority recommendations as a result of our 2017/18 audit work.

Section one:

Summary for Joint Independent Audit Committee (cont.)

Certificate

We issued our certificate on 31 July 2018. The certificate confirms that we have concluded the 2017/18 audits of the PCC's and CC's financial statements in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our fee for 2017/18 was £44,291 (split PCC: £29,291 and CC: £15,000), excluding VAT (2016/17: £46,090).

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the PCC or CC should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.

Acknowledgements

We would like to take this final opportunity to thank all officers and Members for their thorough professionalism and excellent help over the many years we have provided the external audit service to Lincolnshire's PCC and CC, and wish you all and both organisations all the very best for the future.



Appendices



Appendix 1:

Summary of reports issued

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

These reports can be accessed via the Joint Independent Audit Committee pages on the PCC and CC's website.

2017/18 External Audit Plan

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

2017/18 Interim Audit Letter

The Interim Audit Letter summarised the results from the preliminary stages of our audit, including testing of financial and other controls.

Report to Those Charged with Governance

The ISA260 Report to Those Charged with Governance summarised the results of our audit work for 2017/18 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.

Auditor's Report

The 2017/18 Auditor's Report included our audit opinions on the PCC's and CC's financial statements along with our VFM conclusions and our certificates.

Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2017/18.



Appendix 2:

Audit fees

This appendix provides information on our final fees for the 2017/18 audit.

External audit

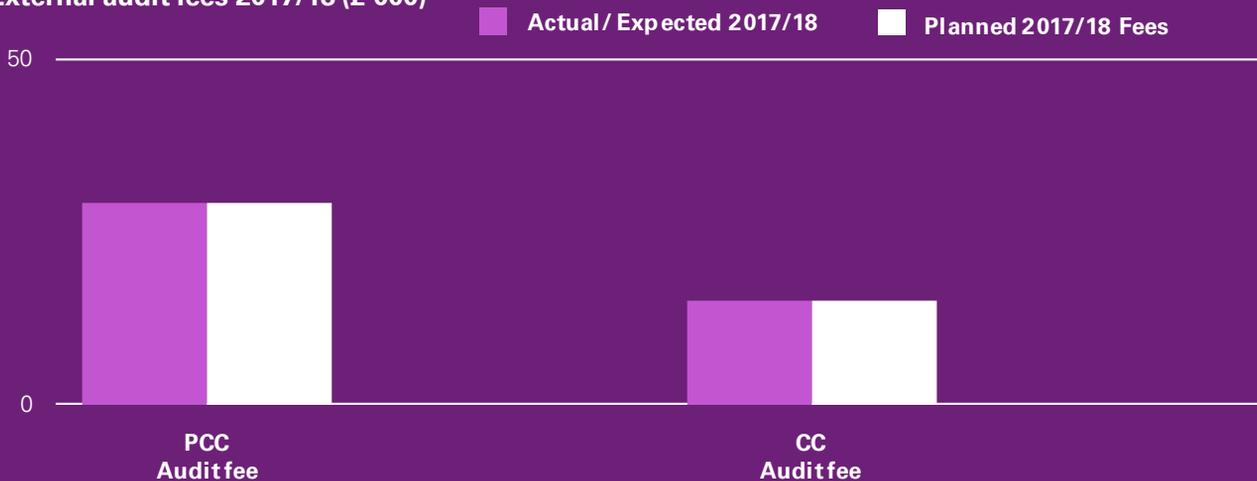
Our final fee for the 2017/18 audit of the Police and Crime Commissioner was £29,291, for the audit of the Chief Constable, the fee was £15,000. This compares to a planned fee of £29,291 and £15,000 respectively.

Our total final fee for the 2017/18 audit was £1,799 lower than the fees charged in 2016/17.

Other services

We did not charge any additional fees for other services.

External audit fees 2017/18 (£'000)





The key contacts in relation to our audit are:

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This report is addressed to the Authority (PCC and CC) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Cardoza the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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