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Annual Audit Letter 2012/13

Lincolnshire Police and Crime Commissioner

Lincolnshire Chief Constable

October 2013

Contents

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This report is addressed to the Lincolnshire Police and Crime Commissioner (PCC) and Lincolnshire Chief Constable (CC) and has been prepared for the sole use of the PCC and CC. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

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Headlines

This report summarises the key findings from our 2012/13 audit of Lincolnshire Police and Crime Commissioner (PCC) and Lincolnshire Chief Constable (CC).

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

Our audit covers the audit of the PCC and CC's 2012/13 financial statements and the 2012/13 VFM conclusion.

VFM conclusion	We issued an unqualified value for money (VFM) conclusion for 2012/13 for both the PCC and the CC on 27 September 2013. Our VFM conclusion work was limited in scope by the Audit Commission to: ■ reviewing the annual governance statement; and ■ reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there was any impact on our responsibilities. As part of our review we considered the reports issued by Her Majesty's Inspectorate of Constabulary (HMIC). Additionally the PCC provided a self assessment of VFM arrangements, which we were able to use to complete our work. Financial plans remain challenging, and there is clear recognition of the need to continue to tackle the issues highlighted by HMIC for the longer term. We will continue to monitor this matter.
Audit opinion	We issued an unqualified opinion on your financial statements on 27 September 2013. 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 the expenditure and income for the year.
Financial statements audit	The main issues arising from our review of the 2012/13 accounts and financial systems were that : ■ The PCC and CC have developed a sound process for the production of the accounts and working papers. We will continue to assist officers in achieving further improvements. ■ The asset register is not yet fully compliant with accounting standards. We expected this to be addressed in 2013/14 with the introduction of a new information system. ■ We found four material errors in the financial statements of the PCC and one within those of the CC. These were presentational and did not affect the outturn position. ■ Our audit also identified two further errors totalling £1.2m affecting the accounts of the PCC. There was no effect on the general fund. ■ The accounting framework relating to the content of the PCC and CC's financial statements continues to evolve. There is likely to be further guidance in 2013/14. We needed to carry out additional work in response to the issues above, and we have proposed an additional fee as set out in Appendix 2.
Annual Governance Statement	We reviewed the *Annual Governance Statements* and concluded that they were consistent with our understanding. One issue to address next year is to confirm within them compliance with the CIPFA statement on the role of the Chief Financial Officer.

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Headlines (continued)

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

Whole of Government Accounts	We carried out the mandated audit work on the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported to the National Audit Office that the opening and closing net book values of the Plant, Property and Equipment were consistent with the audited accounts, and there were inconsistencies in the detailed amounts. These arise from the asset register issues noted above.
Certificate	We issued our certificates on 27 September 2013. The certificates confirm that we have concluded the audits for 2012/13 in accordance with the requirements of the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.
Audit fee	Our planned fee for 2012/13 was £43,500 (excluding VAT) for the PCC accounts and £20,000 (excluding VAT) for the CC accounts. An additional audit fee of £1,866 in relation to the unplanned work needed to resolve the accounting issues noted above is subject to agreement with the Audit Commission. Further details are contained in Appendix 2.

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Appendix 1: Summary of reports issued

This appendix summarises the reports we issued during 2013

2013

January

February

March

April

May

June

July

August

September

October

November

External Audit Plan (March 2013)

The Audit Fee Letter issued in August 2012 set out the proposed audit work and draft fee for the 2012/13 financial year.

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 2013)

The *Audit Fee Letter* set out the proposed audit work and draft fee for the 2013/14 financial year.

Report to Those Charged with Governance (September 2013)

The *Report to Those Charged with Governance* summarised the results of our audit work for 2012/13 including key issues as a result of our observations.

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

Auditor's Report (September 2013)

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

Annual Audit Letter (October 2013)

This *Annual Audit Letter* provides a summary of the results of our audit for 2012/13.

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Appendix 2: Audit fees

This appendix provides information on our final fees for 2012/13.

To ensure openness between KPMG and the Police and Crime Commissioner (PCC) and Chief Constable (CC) about the extent of our fee relationship with you, we have summarised the outturn against the 2012/13 planned audit fee.

External audit

Our planned fee for the 2012/13 audit of the PCC and CC was £43,500 (plus VAT) and £20,000 (plus VAT) respectively. As both are new organisations there are no directly comparable fees for the 2011/12 period – the closest comparator is that in 2011/12, Lincolnshire Police Authority's audit fee was £73,370 (plus VAT).

Due to the errors identified in the 2012/13 accounts we were required to undertake additional unplanned work. A fee of £1,866 for this work is subject to agreement with the Audit Commission.

Other services

We have not undertaken any work outside of the Code of Audit Practice requirements for either the PCC or the CC.

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