



Annual Audit Letter 2016/17

Police and Crime
Commissioner for
Lincolnshire

&

Chief Constable for
Lincolnshire

kpmg.com/uk

October 2017

Contents

Report sections

Summary	3
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Appendices

1. Key issues and recommendations	5
2. Summary of reports issues	6
3. Audit fees	8

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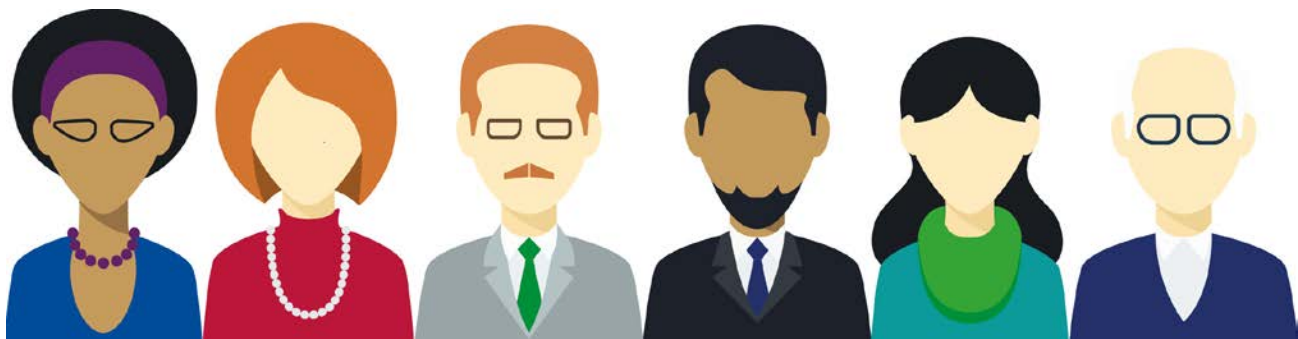
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Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at both the Police and Crime Commissioner ("PCC") and Chief Constable ("CC") for Lincolnshire in relation to the 2016/17 audit year. Although it is addressed to the PCC and CC, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the PCC and CC's websites.

VFM conclusion

We issued an unqualified conclusion on both the PCC and CC's arrangements to secure value for money (VFM conclusion) for 2016/17 on 25 August 2017. This means we are satisfied that during the year the PCC and CC had appropriate arrangements for securing economy, efficiency and effectiveness in the use of their resources.

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

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 work identified the following significant matters:

- Financial resilience and delivery of medium term financial plan: We assessed the arrangements put in place by the PCC and CC to maintain its record of meeting efficiency savings to address national funding changes, and, by relying on our accounts audit work where relevant, underpinned by a review of the PCC and CC's budget setting process, financial management processes, and discussions with the senior management team. We were able to conclude that the PCC and CC had made proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

Audit opinion

We issued an unqualified opinion on the PCC and CC's financial statements on 25 August 2017. This means that we believe the financial statements give a true and fair view of the financial positions of the PCC and CC and of their respective expenditure and income for the year.



Section one

Financial statements audit

We identified the following issues in the course of the 2016/17 audit:

- six significant adjusted audit differences totaling £152m;
- a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17; and
- areas for improvement in relation to the PCC and CC's review of pensions data being submitted to the actuary and accurate completion of CIPFA's Disclosure Checklist to identify errors and omissions in their accounts disclosures.

Our audit plan identified the Local Government pension scheme triennial revaluation and changes to CIPFA's Code on Local Authority Accounting as significant risks or other areas of audit focus for the year. We noted that all of these areas had been appropriately addressed by the PCC and CC.

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.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statements and Narrative Reports. We concluded that they were materially consistent with our understanding although we noted that the Narrative Reports did not fully comply with CIPFA's requirements in that the use of both financial and non-financial performance indicators was expected.

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 the PCC falls 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 a single high priority recommendation as a result of our 2016/17 audit work. This is detailed in Appendix 1 together with the action plan agreed by management.

- Narrative Report compliance:
Our review of the PCC and CC's Chief Finance Officer's Narrative Reports has identified a number of areas where improvements could be made in order to ensure full compliance with CIPFA's Code of Practice.

We will formally follow up this recommendation as part of our 2017/18 work.




Certificate

We issued our certificate on 25 August 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our fees for 2016/17 were £30,855 and £15,235, excluding VAT, for the PCC and CC respectively. These were higher than the planned fees due to the need to charge additional fees in relation to two specific issues. Further detail is contained in Appendix 3.

Key issues and recommendations

No.	H/M/L	Issue and recommendation	Management response/responsible officer/due date
1		Narrative Report compliance The PCC and CC should ensure that their Narrative Reports fully comply with CIPFA's Code of Practice and that clarity is provided over any figures reported within the Narrative Reports and the financial statements.	Management Response Accepted. In respect of the first point on non-financial performance information, we will review and incorporate this into the Statement of Accounts for 2017/18. In respect of the second point we will review the narrative for 2016/17 (and again next year) and ensure there is clarity on the inclusion or exclusion of regional balances. Owner PCC CFO/CC CFO Deadline 2016/17 and 2017/18 Statement of Accounts
2		Review of pensions data submitted to the actuary The PCC and CC should ensure that an appropriate level of review is put in place over the data being submitted to the actuary to ensure its completeness and accuracy.	Management Response Accepted Owner Head of Finance Deadline 2017/18 Statement of Accounts
3		Review of fair value disclosures The PCC and CC should ensure that sufficient time and resource is devoted to the accurate completion of CIPFA's Code Disclosure Checklist, with any uncertainties over answers being investigated more thoroughly.	Management Response Accepted Review of the Code of Practice and disclosure checklist is a standard part of the closedown procedure however; we will consider undertaking an independent review of the checklist in future. Owner Head of Finance Deadline 2017/18 Statement of Accounts

Follow up of previous recommendations

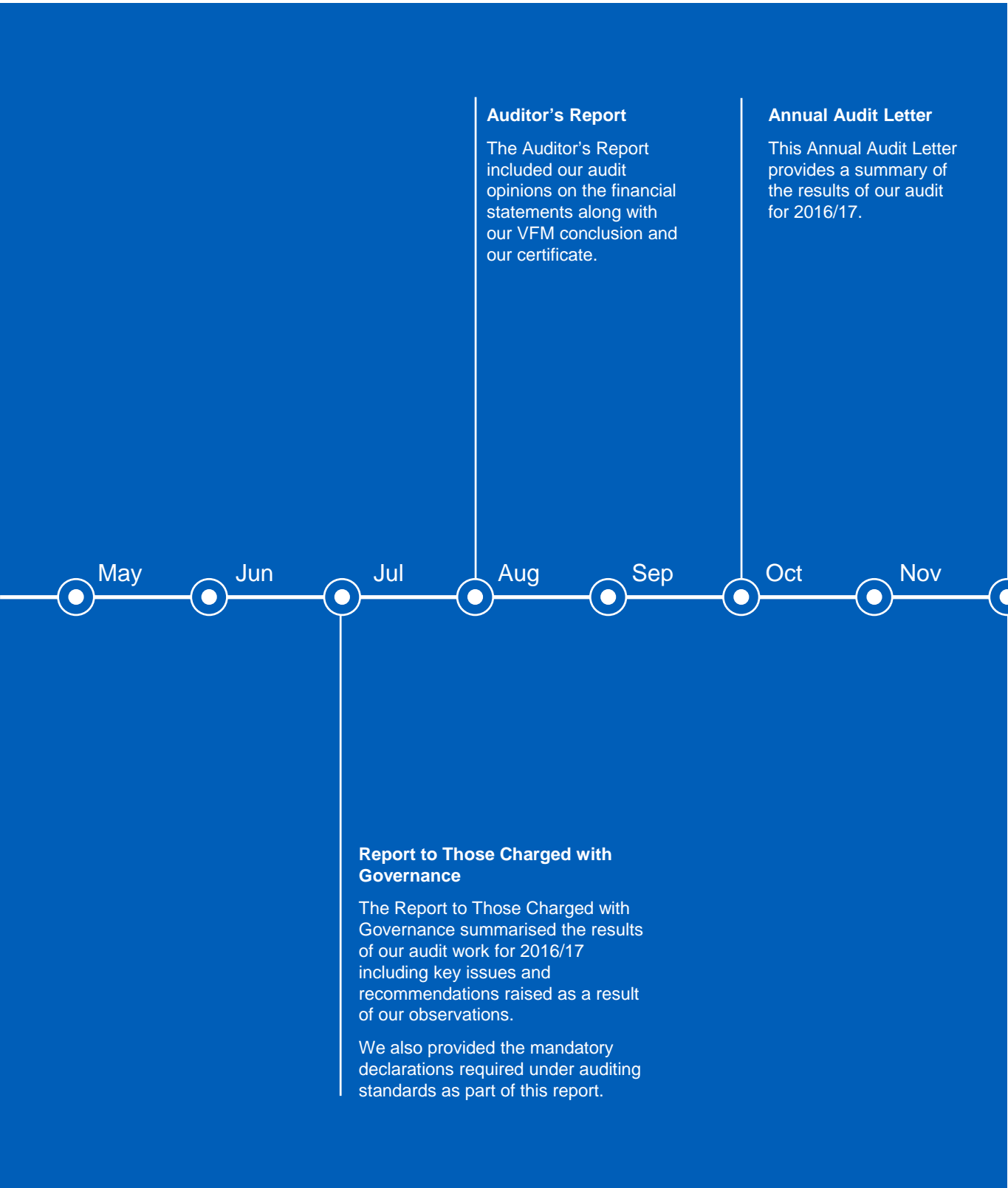
As part of our audit work we followed up on the PCC's progress against previous audit recommendations. We are pleased to report that the PCC has taken appropriate action to address the issues that we have previously highlighted.

Appendix 2

Summary of reports issued

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





Appendix 3

Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the PCC and CC we have summarised below the outturn against the 2016/17 planned audit fee.

External audit

Our final fees for the 2016/17 audits of the PCC and CC were £30,855 and £15,235 respectively. These compare to planned fees of £29,291 and £15,000. The reasons for these variances are:

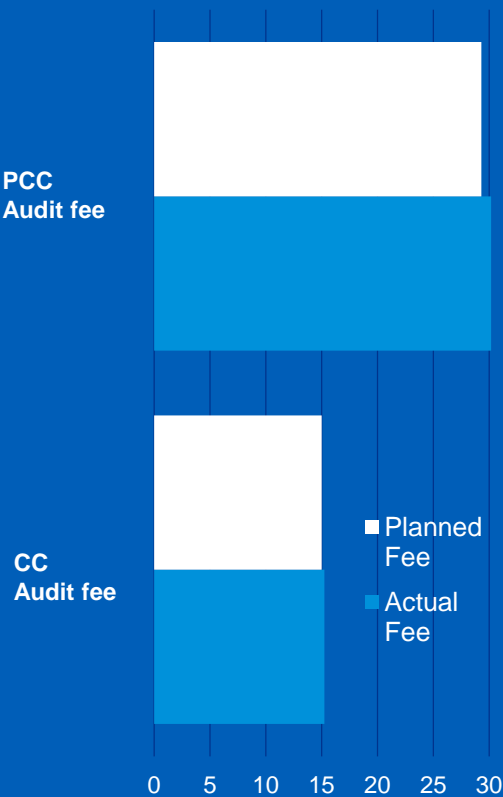
- increased fees for the audit of the restatements necessary to the PCC and CC’s accounts to reflect the revised CIES and new Expenditure and Funding Analysis reflecting additional costs incurred in carrying out the final accounts audit of £713 over and above our initial estimate;
- additional work, which was not allowed for in our initial plan, namely a review of accounting treatment in respect of the Strategic Contract costs £1,086.

Our fees are still subject to final determination by Public Sector Audit Appointments.

Other services

We did not charge any additional fees for other services.

External audit fees 2016/17 (£'000)



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