

**JOINT INDEPENDENT AUDIT COMMITTEE
25 JULY 2018**

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| SUBJECT | | FINANCIAL STATEMENTS OF ACCOUNTS 2017/18 |
| REPORT BY | JULIE FLINT, PCC CHIEF FINANCIAL OFFICER, AND SHARON CLARK, FORCE CHIEF FINANCIAL OFFICER | |
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| SUMMARY AND PURPOSE OF REPORT | | |
| <p>Following the Audit of the 2017/18 accounts the Committee is requested to review:</p> <ul style="list-style-type: none"> • the responses to the report produced by the auditors; • the final version of the Accounts including the AGS; and • Letters of Representation. | | |
| RECOMMENDATION | <p>That the Committee:</p> <ol style="list-style-type: none"> 1. Reviews the Responses to the Report to those charged with Governance (ISA 260) on the 2017/18 accounts 2. Reviews the Accounts and AGS for publication (Appendices A1 and A2); 3. Reviews the Letters of Representation (Appendices B1 and B2); | |

A. SUPPORTING INFORMATION

1. Introduction

- 1.1 At the 25 May 2018 workshop of this Committee, in accordance with good practice, the 2017/18 draft accounts for both the Police and Crime Commissioner (PCC) Group and the Chief Constable (CC) were presented. Following this meeting the CFOs for the PCC and Chief Constable, in accordance with the Accounts and Audit Regulations 2015 (Regulation 9), signed and dated their respective accounts and certified that they presented a true and fair view of the financial position of the Group at the end of the year to which they related, and of its income and expenditure for that year.
- 1.2 Copies of the accounts were published on the PCC's and CC's websites, along with a declaration that the accounts were unaudited and may be subject to change. The accounts were open for public inspection between 1 June 2018 and 12 July 2018. During this period, a local government elector for any area to which the accounts relate, or their representative, may question the auditor about the accounts, or make an objection to the accounts as set out in section 26 and

27 of the Local Audit and Accountability Act 2014. Any objections must be provided in writing; at the date of submission of this report no objections have been notified.

- 1.3 Revised accounts are now submitted to this Committee following audit for review prior to the final signing by the PCC and CC and their Statutory Officers. The planned date for completion and audit certificate issue is 31 July 2018.
- 1.4 The external auditor, KPMG, is required by the statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance (PCC & CC) summarising the conclusion from their audit work. This report, an ISA260, has been provided to the Committee for review on this agenda.
- 1.5 KPMG is also required to report on certain matters before it can give its opinion on the financial statements. These include significant risks, qualitative aspects of the accounts and the auditor's independence. These are all included within the report.
- 1.6 The ISA260 covering the audit will be presented by KPMG. The principal purposes of the report are to:
 - Reach a mutual understanding of the scope of the audit and respective responsibilities of the auditor and those charged with governance;
 - Share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
 - Provide recommendations for improvements arising from the audit process.
- 1.7 An important part of this report is the Letter of Representation which is discussed at Section 6.
- 1.8 The report is positive, KPMG has indicated that they intend to issue an unqualified audit opinion on both sets of accounts and that the Annual Governance Statements comply with Guidance issued by CIPFA/SOLACE in April 2016.
Importantly the report also concludes that the PCC and CC have made proper arrangements to ensure they took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. KPMG have concluded that the PCC and CC have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. It is therefore anticipated that an unqualified value for money conclusion will be issued.

2. Accounting practice and financial reporting

- 2.1 Appendix 3 of the KPMG report details the audit differences which have been identified in the draft 2017/18 financial statements. These are analysed into uncorrected and corrected: material or non-material. All of the differences have been adjusted in this final version of the accounts.

2.2 The audit did not identify any material misstatements. The audit identified three significant numerical differences, two of which impacted on the primary statements, and one in disclosure notes. There were two notes where presentational adjustments were identified. There is no impact on the General Fund as a result of audit adjustments.

3. Key Issues and Recommendations

3.1 The recommendations made in the ISA260 Report in 2016/17 have been implemented, the follow up on the 2016/17 recommendations are in Appendix 2 of the KPMG report.

Appendix 1 of the KPMG report highlights the issues and recommendations arising from the 2017/18 audit. The following table details the issue and the management response.

| No | Risk Priority | Issue and Recommendation | Management Response |
|----|---------------|---|---|
| 1 | 2 | <p>We have noted deterioration in the quality of working papers provided in support of the financial statements over the previous year.</p> <p>There is a risk of audit work being delayed or additional costs being incurred in the audit process.</p> <p>Recommendation: Sufficient time should be built in to 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.</p> | <p>We agree that working papers should be of the required standard. Appropriate time will be given to review the working papers for 2018/19.</p> <p>Responsible Officer Head of Finance</p> <p>Due Date 2018/19 Statement of Accounts</p> |

3.2 There is a further outstanding issue regarding the legality of an item of expenditure amounting to £14,579 which is recorded in the Chief Constable's Accounts. The draft accounts produced in May 2018 revealed expenses payments to a member of the Chief Constable's chief officer team of which the Force CFO (FCFO) had previously been unaware. The FCFO wrote to the Assistant Chief Officer (ACO) on 25 May 2018, as the Chief Constable's strategic HR lead, requesting advice on the legality of this expenditure. In the absence of a reply from the ACO, the Police & Crime Commissioner wrote to the Chief Constable on 18 June 2018 requesting advice on the legal basis of this expenditure. At the time of writing this report, no response had been received.

3.2.1 Clearly both CFOs will need to take a view on the legality before the accounts are finalised. If a response is received from the Chief Constable prior to the meeting of this committee, the CFOs will provide an email update to members. In any event, an oral update on next steps will be provided at the meeting.

4. Statement of Accounts

- 4.1 Revised PCC and Chief Constable Accounts are included in the papers for this Committee. These include all the changes noted above from the accounts reviewed in June.

5. Post Balance Sheet Events

- 5.1 Accounting standards require that relevant Post Balance Sheet Events be recognised in the Financial Statements up to the completion of the audit. If events arise after this Committee but prior to the signing of the accounts appropriate disclosures will be made in the accounts and the Committee notified at the next meeting.

6. Letter of Representation

- 6.1 As part of the finalisation of the audit, a letter of representation must be provided to the auditor for the PCC and CC. A draft letter is included in Appendix B1 and B2. This letter will be signed for both the PCC and Chief Constable by the relevant body's CFO. It includes declarations regarding the financial statements and governance arrangements which have been employed.

7. Summarised Statement of Accounts

- 7.1 An extract of the PCC CFO Narrative will form the summarised set of accounts for publishing. This will be circulated to JIAC members for review.

B. FINANCIAL CONSIDERATIONS

The Financial Statements show the PCC's and CC's stewardship for the year 2017/18.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

The statements are prepared so as to comply with all relevant accounting requirements and audited in accordance with those requirements.

D. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES (including any impact or issues relating to Children and Young People.)

None specific

E. REVIEW ARRANGEMENTS

The accounts are complete and are scheduled to be formally signed by 31 July, the addition of any post Balance sheet events required during the period between this meeting and formal sign off will be reported to the next meeting of the Committee.

F. RISK MANAGEMENT

There are risks associated with ensuring that the disclosures made in the accounts are in accordance with the legislation and codes of practice. External Auditors have highlighted issues as part of their reporting which have been corrected in the accounts. There are however residual risks of non-compliance which have been mitigated by the checks undertaken.

G. PUBLIC ACCESS TO INFORMATION

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