

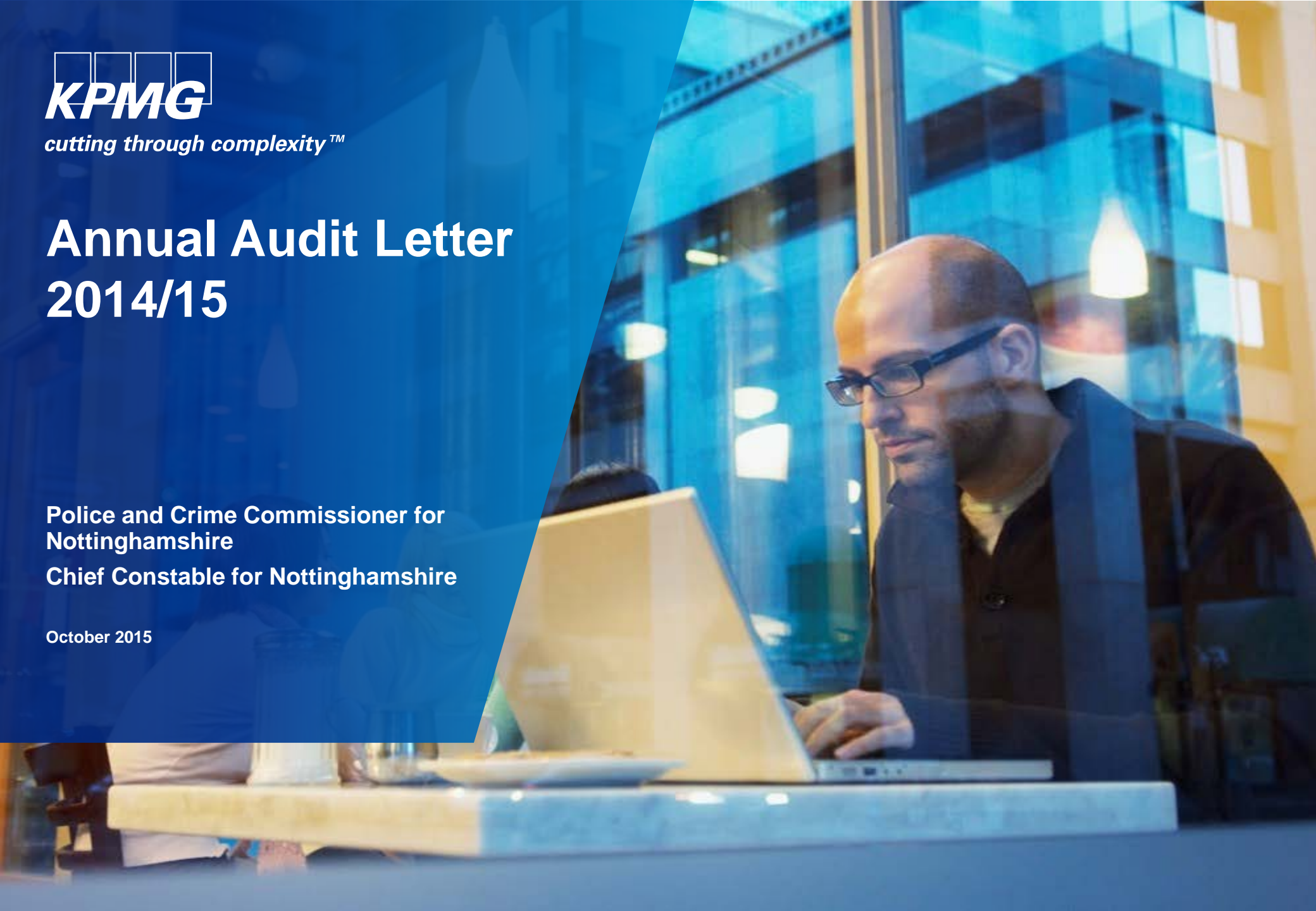


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# Annual Audit Letter 2014/15

**Police and Crime Commissioner for  
Nottinghamshire  
Chief Constable for Nottinghamshire**

October 2015



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## Report sections

- Headlines

## Appendices

1. Summary of reports issued
2. Audit fees

## Page

2

5

6

This report is addressed to the Authority 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. The Audit Commission issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies* summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.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, Trevor Rees (on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@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](mailto: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.

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

**Although this letter is addressed to the Police and Crime Commissioner and Nottinghamshire Chief Constable, it is also intended to communicate these issues to key external stakeholders, including members of the public.**

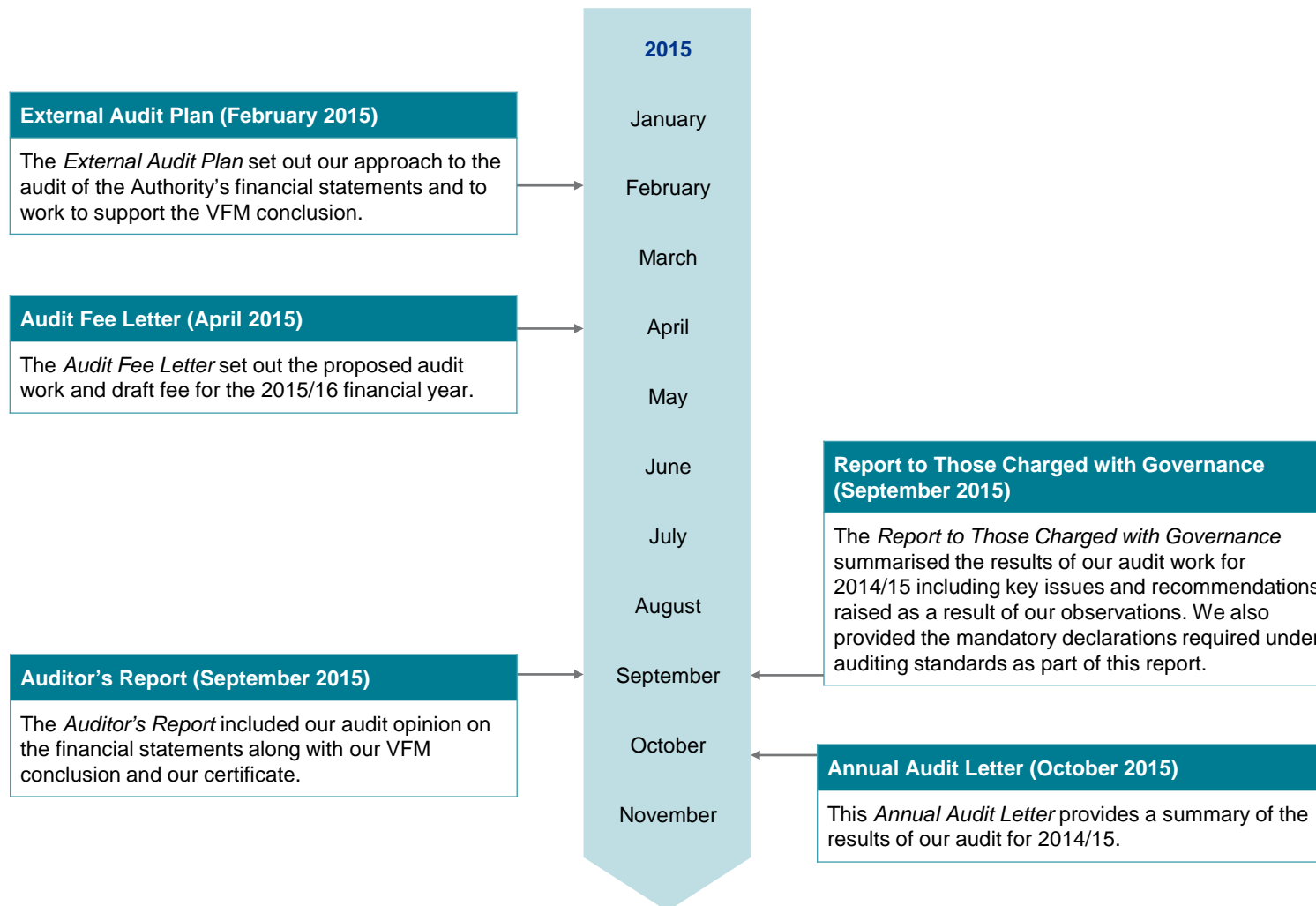
**Our work covers the audit of the PCC and CC 2014/15 financial statements and the 2014/15 VFM conclusion.**

<b>VFM conclusion</b>	<p>We issued an unqualified conclusion for the Police and Crime Commissioner's (PCC) and Chief Constable's (CC) arrangements to secure value for money (VFM conclusion) for 2014/15 on 29 September 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
<b>VFM risk areas</b>	<p>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. We identified two risks:</p> <ul style="list-style-type: none"> <li>■ Budget Savings – along with other forces significant budget savings are required in future years; and</li> <li>■ A19 Tribunal Ruling – an appeal was made to the court ruling which would have financial implications.</li> </ul> <p>We have reviewed the action taken to address the ongoing financial pressures. Whilst the Force was short of its planned savings target in 2014/15 the PCC/CC have identified plans to achieve the savings required in 2015/16, but is still working on further savings projects to fill the gap and if not achieve a further call on reserves may be required.</p> <p>The 2014/15 accounts presented for audit includes recognition of the same contingent liability. The legal ruling in July 2015 ruled in Nottinghamshire PCC/CC's favour that the A19 staff had been lawfully dismissed, however recently a subsequent appeal has been made. Until the appeal is finally resolved the impact on the MTFS remains unknown, but it could have a positive impact.</p> <p>We were satisfied that sufficient work in relation to this risk was being carried out by the Authority to mitigate the audit risks for our VFM conclusion. We concluded that we did not need to carry out any specific additional work ourselves.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on the financial statements of the PCC (which incorporated the financial statements of the CC), and the separate financial statements of the Chief Constable on 29 September 2015. This means that we believe both sets of financial statements give a true and fair view of the financial position of the respective bodies and of their expenditure and income for the year.</p>

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 1.

Financial statements audit	<p>We identified two audit risks affecting the PCC/CC 2014/15 financial statements:</p> <ul style="list-style-type: none"> <li>■ Stage 2 Transfer – review of the accounting treatment following staff transfer; and</li> <li>■ A19 Tribunal Ruling – to review the disclosure and treatment as a result of the appeals process.</li> </ul> <p>We reviewed the accounting treatment and disclosure and found they had been addressed appropriately.</p> <p>We did not identify any material misstatements. The PCC/CC made a number of non material adjustments to the financial statements, mostly as a result of amended working papers and of a presentational nature.</p> <p>In response to the recommendation raised in our 2013/14 ISA260 report, the PCC/CC had not fully implemented this and we incurred a similar issue during the 2014/15 audit. We have made three further recommendations in our 2014/15 ISA260 report to strengthen the final accounts preparation process and supporting working papers.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statements</i> and concluded that they were both consistent with our understanding of your governance arrangements put in place by both the PCC and CC.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.</p>
Certificate	<p>We issued our certificate on 29 September 2015 for both the PCC and the CC.</p> <p>The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	<p>Our combined fee for 2014/15 was £66,960 excluding VAT. However, as reported in our 2014/15 ISA260 report additional work was required to complete the audit due to version control, links to working papers and ineffective quality reviews. These matters have been reported to Those Charged with Governance and as a consequence we are currently discussing a proposed additional fee of around £2,000 plus VAT. Further details contained in Appendix 2.</p>

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



**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 final fee for the 2014/15 is yet to be determined because we are currently discussing a proposed additional fee of £2,000 (plus VAT) with Public Sector Audit Appointments. The planned fee was £66,960 and our proposed revised fee is £68,960. The detailed reasons for this increase were reported to you on the 24 September in our ISA260 (Audit Highlights Report).

Our additional fees are still subject to final determination by Public Sector Audit Appointments and we will finalise these discussions with the Chief Finance Officers.

**Other services**

We did not charge any additional fees for other services.



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