

# The Annual Audit Letter for the Police and Crime Commissioner for Lancashire and the Chief Constable for Lancashire Constabulary

Year ended 31 March 2015

October 2015

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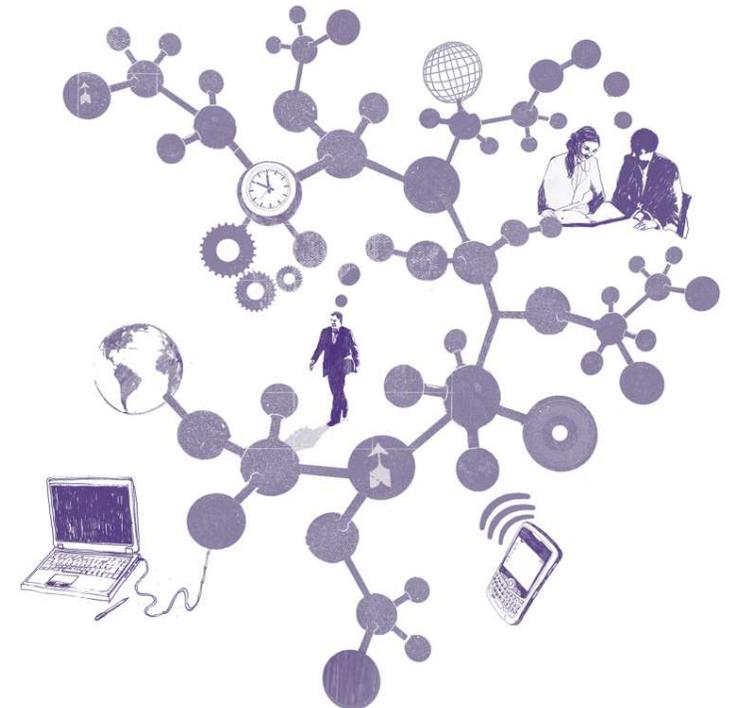
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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at the Police and Crime Commissioner (PCC) for Lancashire and the Chief Constable for Lancashire Constabulary for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the PCC, Chief Constable and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Joint Audit Plan that we issued on 23 February 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

## **Financial statements audit (including audit opinions)**

We reported our findings arising from the audit of the financial statements in our Joint Audit Findings Report on 21 September 2015 to the Joint Audit Committee and on the 30 September 2015 to the Police and Crime Commissioner and the Chief Constable as 'Those Charged with Governance'. The key messages reported were:

- no adjustments affecting the PCC's or Chief Constable's reported financial position
- the contingent liability note in both the PCC's and Chief Constable's accounts was updated and expanded and reflects the position that future payments will need to be made as a result of a decision by the Pension Ombudsman which affects all police bodies but which will be funded by the Government. Additional disclosures have been made in terms of critical judgements and events after the balance sheet date
- a number of other disclosure changes were made to the PCC's accounts with several of these due to the fact that some of the 2013/14 comparators had not been updated from the 2012/13 figures
- a few minor disclosures changes were made to the Chief Constable's accounts to improve presentation and consistency.

We issued an unqualified opinion on the PCC's 2014/15 financial statements on 30 September 2015 and on the Chief Constable's 2014/15 financial statements on 30 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinions confirm that the financial statements for each organisation give a true and fair view of the PCC and Chief Constable's financial position and of the income and expenditure recorded by the PCC and Chief Constable, respectively.

## Key messages continued (continued)

### **Value for Money (VfM) conclusion**

We issued unqualified VfM conclusions for the PCC for 2014/15 on 30 September 2015 and for the Chief Constable for 2014/15 on 30 September 2015.

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the PCC and Chief Constable put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ending 31 March 2015.

The PCC continues to show strong financial resilience and good financial planning and management. The financial assumptions in the 2015/16 budget appear reasonable although general inflation has been set at zero this will need to be revisited if inflation starts to rise as predicted for 2016. Actual reserves at the 31 March 2015 were £49.315 million with General Fund balances projected to be around £12 million for the duration of the medium term financial strategy (MTFS) with earmarked reserves expecting to be reduced to £17 million by the end of 2017/18. Clearer reference to the impact on overall reserves of the PCC's longer term financial strategy would be beneficial in providing the complete picture on overall resources available. The medium term financial strategy (MTFS) is focused on delivering long term recurring savings to ensure the operational integrity and ability of the Constabulary in future years. Her Majesty's Inspectorate of Constabulary (HMIC) has commented positively on the detail underpinning the savings plans. Both the PCC and Chief Constable recognise that to improve the Constabulary's efficiency will require significant investment in buildings, infrastructure and ICT. In November 2014, in his report 'Two Years in Post', the Commissioner outlined progress on delivering the priorities and his plans for the future. Delivery has included producing a Victims and Witness Strategy to focus on victims needs and services and ringfencing money for Police Community Support Officers (PCSOs).

The Chief Constable works closely with the PCC to ensure that its finances are effectively managed and it has a good track record of delivering savings with nearly £61.1 million of savings delivered since 2011/12. The Constabulary's 'Futures Programme' will identify savings to ensure that the Constabulary can meet the demands of future policing whilst doing this in an ever tightening financial constraints. The PCC's MTFS indicates a further £22.1 million of savings will be required by 2017/18. HMIC has commented positively on the Constabulary meeting the financial challenges of the spending review and rated it 'Outstanding' in its response to the austerity agenda. The Constabulary underspent by £8.427 million in 2014/15 as a result of underspending on police officer and police staff vacancies, a successful spend less approach on non-staff budgets and from a review of staff terms and conditions. Some of the underspending in 2014/15 relates to early delivery of savings which have then been removed from the 2015/16 budget. In overall terms crime in Lancashire reduced by 2.9% during 2014/5. Overall, there has been a reduction in the volume crime categories but a significant increase in the number of reported violence against the person crimes with an increase in the number of reported sexual offences.

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## Key messages continued (continued)

<b>Whole of Government Accounts</b>	We reviewed the consolidation pack which the PCC prepared to support the production of Whole of Government Accounts. On the 30 September 2015 we reported that the pack for the PCC Group was consistent with the audited financial statements.
<b>Audit fee</b>	Our fee for 2014/15 for the PCC was £42,890, excluding VAT which was in line with our planned fee for the year and was the same as the previous year. Our fee for 2014/15 for the Chief Constable was £25,000, excluding VAT which was in line with our planned fee for the year and was the same as the previous year. Further detail is included within appendix B.

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>General inflation in the MTFS set at zero other than for areas such as fuel or where there is a contractual requirement. With general inflation predicted to rise in 2016 there will be a need to reconsider the impact on the MTFS.</p> <p><b>Recommendation:</b> Ensure that if general inflation starts to rise that consideration is given to the impact of this on the Medium Term Financial Strategy (MTFS).</p>	Medium	<p>As part of the financial modelling process consideration is given to the assessment of inflation on costs and income and appropriate action is taken to reflect the potential financial impact and sources for managing this.</p> <p>Responsible officer: PCC CFO / Director of Resources Due date: Autumn 2015</p>
2.	<p>Information relating to the MTFS is contained in different documents and this can make it more difficult to see the overall impact of the PCC's longer term financial strategy on available resources.</p> <p><b>Recommendation:</b> As part of the production of the MTFS it would be useful to include a table showing the impact each year on overall reserve levels. This would provide a complete picture on overall resources available.</p>	Low	<p>Agreed.</p> <p>Responsible officer: PCC CFO / Director of Resources Due date: Autumn 2015</p>

# Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

## Fees for audit services

	Per Audit plan £	Actual fees £
Police and Crime Commissioner audit	42,890	42,890
Chief Constable audit	25,000	25,000
<b>Total audit fees</b>	<b>67,890</b>	<b>67,890</b>

## Fees for other services

Service	Fees £
<b>Non-audit related services</b>	
• Work on supporting the reclaim of VAT paid on seized vehicles	6,100

## Reports issued

Report	Date issued
Audit Plan	February 2015
Audit Findings Report	September 2015
Annual Audit Letter	October 2015



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