

# *Office of the Police and Crime Commissioner for Leicestershire and Office of the Chief Constable for Leicestershire*

## *Report to those charged with governance*

Report on the audit for the year ended 31 March 2015 (ISA (UK&I)  
260)

**Code of Audit Practice and  
Statement of Responsibilities  
of Auditors and of Audited  
Bodies**

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement.

Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

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*An audit of the Statement of Accounts is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters. We have issued a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate.*

# Executive summary

## Background

This report tells you about the significant findings from our audit. We presented our plan to you in February 2015; we have reviewed the plan and concluded that it remains appropriate.

## Audit Summary

We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts on 30<sup>th</sup> September 2015.

The key outstanding matters, where our work has commenced but is not yet finalised, are:

- review of the detailed disclosures in the Statement of Accounts;
- approval of the Statement of Accounts and letters of representation; and
- completion procedures including subsequent events review.

Please note that this report will be sent to Public Sector Audit Appointments Limited, the successor to the Audit Commission, in accordance with the requirements of its standing guidance.

We look forward to discussing our report with you on 22<sup>nd</sup> September 2015.

# Audit approach

Our audit approach was set in our audit plan which we presented to you in February 2015.

We have summarised below the significant risks we identified in our audit plan, the audit approach we took to address each risk and the outcome of our work.

Risk	PCC	CC	Audit approach and results of work performed
Impact area			
<b>Management override of controls</b>	► Financial Statements	Financial Statements	<p>We updated our understanding of the Group's controls over manual journals and access to systems. Our final accounts procedures included testing of:</p> <ul style="list-style-type: none"><li>• the appropriateness of journals processed during the year;</li><li>• key year-end control account reconciliations, including the bank reconciliation;</li><li>• transactions recorded after the year-end;</li><li>• the existence of equipment items; and</li><li>• significant management estimates.</li></ul>

No issues were identified during this work.

Risk	PCC	CC	Audit approach and results of work performed
Impact area			
<b>Fraud risk in income and expenditure recognition</b> <p>Under ISA (UK&amp;I) 240 there is a presumption that there are risks of fraud in revenue recognition.</p> <p>We extend this presumption to the recognition of expenditure in local government.</p>	 Financial Statements	Financial Statements	<p>We sought to understand and evaluate the controls relating to income and expenditure, liaising with and seeking to place reliance upon the testing performed by Internal Audit wherever possible.</p> <p>During the final audit visit we evaluated the accounting policies for income and expenditure recognition and tested:</p> <ul style="list-style-type: none"> <li>• the appropriateness of journal entries and other adjustments; and</li> <li>• accounting estimates for provisions, accruals, expenditure and income.</li> </ul> <p>No issues were identified during this work.</p>

Risk	PCC	CC	Audit approach and results of work performed
Impact area			
<b>PPE Valuations</b> <p>Property, Plant and Equipment is the largest figure on your balance sheet. The economic conditions continue to be uncertain, which has a potential impact upon the valuation of your property, plant and equipment.</p> <p><b>Specific areas of audit risk include:</b></p> <ul style="list-style-type: none"> <li>• The accuracy and completeness of detailed information on assets.</li> <li>• Whether the assumptions underlying the classification of properties are appropriate.</li> <li>• The valuer's methodology, assumptions and underlying data, and our access to these.</li> </ul>	 Financial Statements           -		<p>Our final accounts procedures included testing of:</p> <ul style="list-style-type: none"> <li>• agreement of fixed asset balances to the general ledger and fixed asset register;</li> <li>• the Group's assumptions underlying the classification of properties;</li> <li>• recalculation of revaluations and impairment charged during the year;</li> <li>• consideration of external and internal factors which may have caused material changes in the fair value of properties which have not been revalued during the year; and review of the valuer's methodology, assumptions and underlying data and our access to these.</li> </ul> <p>No issues were identified during this work.</p>

Risk	PCC	CC	Audit approach and results of work performed
Impact area			
<b>Savings Plan / Medium Term Financial Strategy (MTFS)</b> <p>The organisation has made significant efforts over the past few years to identify savings and deliver more efficient services. The latest MTFS was drafted in January 2015.</p> <p>Recent announcements on likely future funding over the medium term mean that the total savings requirement is likely to continue being significant.</p>	 Value for Money  	Value for Money  	<p>We have reviewed your latest MTFS and understood your key assumptions and risks.</p> <p>We have referred to the work of HMIC in its latest value for money report issued in July 2014 to inform our views and assessment.</p> <p>Further details can be found in the economy, efficiency and effectiveness section later on in this report.</p> <p>We anticipate issuing an unmodified value for money conclusion.</p>

## *Intelligent scoping*

In our audit plan presented to you in February 2015 we reported our planned overall materiality which we used in planning the overall audit strategy. Our PCC materiality increased from £3,844,000 to £3,871,700 and the CC materiality remained the same at £4,006,820 to reflect the values in the draft 2014/15 Statement of Accounts. The clearly trivial reporting de minimis level has remained the same.

Our revised materiality levels are as follows:

	PCC £	CC £
Overall materiality	3,871,700	4,006,820
Clearly trivial reporting de minimis	192,000	192,000

Overall materiality has been set at 2% of actual expenditure for the year ended 31 March 2015.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are “clearly trivial” i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We agreed the de minimis threshold with the Audit Committee at its meeting in February 2015.

# **Significant audit and accounting matters**

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to enable you to take appropriate action.

## **Accounts**

We have completed our audit, subject to the following outstanding matters:

- review of the detailed disclosures in the Statement of Accounts;
- approval of the Statement of Accounts and letters of representation;
- receipt of outstanding bank and investment confirmations; and
- completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, the finalisation of the Statement of Accounts and their approval of them we expect to issue an unqualified audit opinion.

As part of our work on the Statement of Accounts we have also examined the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and anticipate issuing an opinion stating in our view they are consistent with the Statement of Accounts.

## **Accounts Preparation**

You completed your draft accounts by the end of June, and provided them to us in advance of the audit as agreed. The hard work you have put into your accounts process over the past few years gives you a strong base to work from, particularly since the accounting reporting timetable is to be accelerated over the next year or so. Our audit identified no material issues in the quality of the accounts presented for audit. Some minor disclosure issues were identified which have been discussed and have been amended appropriately.

We agreed in advance what we would need for our audit and this was mostly ready for us when we arrived. The working papers were provided to us electronically and this helped us perform our audit. The finance team worked hard to meet the timescales and were helpful in resolving our queries.

We would like to thank the team (and others) for their support and assistance during the audit.

## *Accounting issues*

We identified the following key matters during our audit.

### *Valuation of Property, Plant and Equipment*

Your draft accounts include property, plant and equipment with a net book value of £60.5 million, largely made up of land and buildings (£53.4 million). The total value of your land and buildings has increased slightly from £48.76 million in the prior year.

You have to keep the values of your own land and buildings up to date. The Police's accounting policy is to include land and buildings in the balance sheet at open market value for existing use or at depreciated replacement cost for specialised assets where there is no market. You performed a revaluation of land and buildings at the balance sheet date. The work was completed by an external valuation team.

We have engaged an internal PwC valuation specialist to review the work of your valuation team. We considered the applicable professional requirements and industry standard indices used to revalue specialised assets, and the steps taken by the organisation to account for the full impact of these across all assets. We also challenged the assumptions you have made in valuing your assets.

No issues have been identified to report to the Committee.

### *Pensions Liability*

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Local Government Pension Scheme and the Police Pension Schemes. The net pension surplus/liability at 31 March 2015 was £1,844 million (2014 - £1,607 million).

We reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range.

Report to those charged with governance

We utilised the work of actuarial experts to assess the assumptions applied by the Group for its Police Pension schemes and local government pension scheme.

We validated the data supplied to the actuary on which to base their calculations.

### *GAD vs Milne - Police Pension*

The Pensions Ombudsman's recently ruled on a complaint brought by Mr W Milne regarding Police Pension payments. The Government has ruled that additional payments are to be made to Scheme members whose pension commenced between 1 December 2001 and 30 November 2006 and who chose to commute pension for lump sum at retirement. This is to address the Ombudsman's conclusion that the scheme's commutation factors should have been reviewed before 2006.

There are approximately 320 pensioners who will have revised calculations at Leicestershire. Based on initial calculations the additional 'Lump Sums' are estimated to be in the region of £4.5m and interest payments £1.0m.

The Home Office has advised that the Government will meet the immediate cost of the lump sum payments and interest via the existing top-up grant process and that the revised calculations should be completed by December 2015 and payments made by the 31<sup>st</sup> March 2016.

Leicestershire have accounted for this by putting a provision into the accounts with a matching asset. This shows that the organisation have an obligation to make the payments to the relevant pensioners but the bill is initially being funded by the Home Office.

### *Misstatements and significant audit adjustments*

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial.

We are pleased to say we have not found any misstatements above the trivial level during the audit.

## *Significant accounting principles and policies*

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask management to represent to us that the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Statement of Accounts have been considered.

## *Judgments and accounting estimates*

The PCC and CC is required to prepare its financial statements in accordance with the CIPFA Code. Nevertheless, there are still many areas where management need to apply judgement to the recognition and measurement of items in the financial statements. The following significant judgements and accounting estimates were used in the preparation of the financial statements:

- Pensions Liability
- Property, Plant and Equipment - Depreciation and Valuation
- Bad Debt Provision
- Accruals

Our conclusions on these judgments are as follows:

### *Pensions Liability*

*Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting*

*actuaries is engaged to provide the Group with expert advice about the assumptions to be applied.*

The accounts include a non-current liability at 31 March 2015 of £1,844 million (31 March 2014: £1,607 million) in respect of the Groups' overall liability to the Leicestershire Local Government Pension Scheme and the Police Pension Schemes.

We have assessed the assumptions used by the scheme actuary and reviewed them against independent sources, and did not find any issues or concerns with the assumptions used. As is our usual practice, we will be requesting that the Group confirms the appropriateness of these assumptions in the letter of representation.

### *Property, Plant and Equipment: Valuation and Useful Economic Lives*

*Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.*

The valuation of non-current assets is a further area of significant judgment within the accounts. We have considered the assumptions used by the Authority's external valuers (Leicestershire County Council) for the 2014/15 financial statements. The valuation covers all land and building assets. We concluded that the assumptions used were reasonable and have not resulted in a misstatement of the carrying value of your land and buildings.

We have updated our understanding of the processes adopted by the Group as part of its assessment for determining the useful economic lives of its asset base and significant components, which is principally through ongoing dialogue and discussions with its valuer and industry expectations. We have not found any issues or concerns with the process adopted and the lives assigned to each significant asset class or component.

Management were requested to carry out a further impairment review to formally assess if there are any indicators of impairment on its other material PPE asset categories. We have reviewed the principles of the assessment and expect to formally conclude that management have satisfied themselves that there are no material impairments that should be reflected in the 2014/15 financial statements.

### *Accruals*

Accruals for expenditure and income are raised where an invoice has not been received or raised at the year-end, but the Group knows that there is a liability to be met which relates to the current year. This involves a degree of estimation. Detailed testing was performed on significant accruals. No issues were noted from this work.

### *Allowance for doubtful debts*

We reviewed the process the Authority has in place to determine its allowance for doubtful debts when preparing the accounts. We considered the assumptions used and concluded that there was not a risk of material misstatement arising from the estimation technique used.

### *Management representations*

The final draft of the representation letter that we ask management to sign is attached in Appendix 2.

### *Related parties*

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

Report to those charged with governance

We did not identify any matters during the course of our work.

### *Audit independence*

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) “Communication with those charged with governance”, UK Ethical Standard 1 (Revised) “Integrity, objectivity and independence” and UK Ethical Standard 5 (Revised) “Non-audit services provided to audited entities” issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers’ firms and associated entities (“PwC”) and the Authority that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

### *Relationships between PwC and the Authority*

We are not aware of the following relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

### *Relationships and Investments*

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.

### *Employment of PricewaterhouseCoopers staff by the Authority*

We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management position covering financial, accounting or control related areas.

### *Business relationships*

We have not identified any business relationships between PwC and the Authority.

### *Services provided to the Authority*

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm's internal policies. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

### *Fees*

The analysis of our audit and non-audit fees for the year ended 31/03/2015 is included on page 18. In relation to the non-audit services provided, none included contingent fee arrangements.

### *Services to Directors and Senior Management*

PwC does not provide any services e.g. personal tax services, directly to directors, senior management.

### *Rotation*

It is the Audit Commission's policy that engagement leaders at an audited body at which a full Code audit is required to be carried out should act for an initial period of five years. The Commission's view is that generally the range of regulatory safeguards it applies within its audit regime is sufficient to reduce any threats to independence that may otherwise arise at the end of this period to an acceptable level. Therefore, to safeguard audit quality, and in accordance with APB Ethical Standard 3, it will subsequently approve engagement leaders for an additional period of up to no more than two years, provided that there are no considerations that compromise, or could be perceived to compromise, the auditor's independence or objectivity.

### *Gifts and hospitality*

We have not identified any significant gifts or hospitality provided to, or received from, a member of the group's board, senior management or staff.

### *Conclusion*

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

We would ask the JARAP to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

## *Annual Governance Statement*

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: “Delivering Good Governance in Local Government”. The AGS was included in the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE “Delivering Good Governance in Local Government” framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

## *Economy, efficiency and effectiveness*

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the organisation has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We anticipate issuing an unqualified value for money conclusion. We have identified the following matters which we wish to bring to your attention are:

We review your latest MTFS.

The last MTFS was produced in January 2015 and formed the basis of the financial plans made for the 2015/16 budget.

We reviewed your MTFS covering the period 2015/16 to 2017/8. The key assumptions as reported at the January Police and Crime Panel are:

- council tax increase of 1.5% and increases of 2% from 2015/16;
- there is no new council tax freeze grant after 2015/16;
- all existing council tax freeze grants are baselined and continue;
- that 2015/16 is the final year for the award of new Council Tax Freeze Grants;
- Government funding reductions are 3.2% each and every year from 2016/17 onwards;
- the collecting authorities' LCTS schemes deliver a cash neutral position when combined with the council tax support grant from the Government;
- pay and price increases are assumed at realistic levels;
- no additional, unfunded responsibilities are given to the PCC;
- the BER (Budget Equalisation Reserve) can fund any necessary invest to save projects and further borrowing beyond the capital programme is not required;

Savings plans showed that the budget was cut by £6.5m in 2013-14; a further £8.2m was cut from 2014-15; £6.9m from 2015-16; and a need for £6.1m to be cut from 2016-17. The organisation still need to find £4m of the £6.1m for 2016-17.

In 2014-15 an underspend against budget of 0.26% was achieved (£0.448m). This shows Leicestershire is on track to deliver the savings outlined above.

A major part of the savings plans is “Project Edison” which is looking at the way the organisation delivers operational

policing and this project successfully started in February 2015.

We recognise the track record of Leicestershire in delivering savings has been strong (which is supported by previous and recent HMIC work as well as our own views), there must be continued focus to ensure plans remain realistic.

Overall, we have no concerns to report over the assumptions and modelling used in your MTFS. We would also support your view that the MTFS needs to be kept under close review.

#### **Other regulatory reviews and findings**

HMIC have issued the latest Value for Money Inspection report in July 2014, 'Responding to Austerity'.

The inspection focussed on three key themes:

- to what extent is the force taking the necessary steps to ensure a secure financial position for the short and long term?
- to what extent has the force an affordable way of providing policing? and
- to what extent is the force efficient?

HMIC issued an overall judgement of 'Good' and 'Good' for all of the criteria listed above. This is one of two positive statements that HMIC issue in their inspection reports.

*'Leicestershire Police has made good progress in its response to the spending review challenge, and continues to develop its plans to address the future while protecting its communities.'*

The key overall messages were:

- Leicestershire Police is on track to achieve its required savings of £36.1m over this spending review period. Achieving these savings depends on the

future success of the force's change programme, the implementation of the new operating model, increased collaboration, and removing cost from processes.

- In 2015/16 and 2016/17 the plans to address the budget gap are based on further modernisation, leading to further reductions in the workforce, a continued decrease in the size of the estate, additional savings from the centralisation of budgets, and expanding upon potential collaboration opportunities.
- The force has a strong track record of achieving significant savings from its non-pay costs and investing these in the provision of frontline policing. It uses robust workforce modelling, supported by good governance, to ensure that planned changes are made appropriately and that associated savings are achieved.
- Leicestershire Police has put in place a more sustainable approach to making savings, which includes moving to a model of policing based on affordable workforce numbers. The force understands the issues it faces, and is achieving the required savings today while planning for the future.

Specific messages within the HMIC report are consistent with our own views and therefore not repeated in detail for each specific theme.

#### **Conclusion**

Overall, following our review of the MTFS and coupled with the review and the findings of HMIC value for money review, we concluded there are robust arrangements in place at Leicestershire that help it achieve financial resilience and have a continued focus on delivering and securing value for money through good financial management its change programme to deliver operational and financial savings.

Leicestershire police are therefore well placed to meet and deliver against the backdrop of current and future pressures on funding and resources.

We would reaffirm the need for a continued drive on both delivery of efficiency plans through continued strong collaborative arrangements and the delivery of its change programme alongside maintaining and improving on overall victim satisfaction levels as the key indicator to your overall performance.

## ***Internal controls***

### ***Accounting systems and systems of internal control***

Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the Statement of Accounts and our review of the annual governance statement.

We have not identified any significant weaknesses in internal controls which require to be brought to your attention.

# Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

## Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

## Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

## Responsibility of the Audit Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

## Your views on fraud

In our audit plan presented to the Audit Committee in February 2015 we enquired:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.



# Fees update

## Fees update for 2014/15

We reported our fee proposals in our plan.

Our actual fees were in line with our proposals.

### Police and Crime Commissioner – PCC

Audit fee	Actual fee 2013/14 £	Indicative fee 2014/15 £
Audit work performed under the Code of Audit Practice - Statement of Accounts - Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources - Whole of Government Accounts	42,310	42,310

### Chief Constable – CC

Audit fee	Actual fee 2013/14 £	Indicative fee 2014/15 £
Audit work performed under the Code of Audit Practice - Statement of Accounts - Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources - Whole of Government Accounts	20,000	20,000

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# *Appendices*

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## ***Appendix 1: Summary of uncorrected misstatements***

We are pleased to report that the audit found no unadjusted misstatements (or indeed corrected misstatements), above the agreed reporting levels.

There are no material disclosure omissions that we wish to bring to your attention.

## **Appendix 2: Letters of representation**

**PricewaterhouseCoopers LLP**

Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

Dear Sirs

**Representation letter – audit of The Office of the Police and Crime Commissioner for Leicestershire's (the “PCC's”) Statement of Accounts for the year ended 31 March 2015**

The PCC is responsible for preparing a consolidated statement of accounts in respect of The Office of the PCC and its subsidiary undertakings (together “the Group”).

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the PCC (and the Group) give a true and fair view of the affairs of the PCC (and the Group) as at 31 March 2014 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15.

I acknowledge my responsibilities as Chief Finance Officer for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of the PCC, relevant staff and the members of any Committees/Panels with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

### ***Statement of Accounts***

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15; in particular the Statement of Accounts give a true and fair view in accordance therewith.
- All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.
- Significant assumptions used by the PCC (and Group) in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
- All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires adjustment or disclosure have been adjusted or disclosed.

### ***Information Provided***

I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the PCC's (and Group's) auditors, are aware of that information.

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the Statement of Accounts such as records, documentation and other matters, including minutes of the PCC (and Group) and its committees, and relevant management meetings;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the PCC (and Group) from whom you determined it necessary to obtain audit evidence.

So far as I am aware, there is no relevant audit information of which you are unaware.

### ***Accounting policies***

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the authority's particular circumstances.

### ***Fraud and non-compliance with laws and regulations***

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the Statement of Accounts.
- all information in relation to allegations of fraud, or suspected fraud, affecting the PCC's (and Group's) Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing Statement of Accounts.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the PCC (or Group) conducts its business and which are central to the PCC's (and Group's) ability to conduct its business or that could have a material effect on the Statement of Accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

#### ***Related party transactions***

I confirm that the attached appendix to this letter is a complete list of the PCC's (and Group's) related parties. All transfer of resources, services or obligations between the PCC (and Group) and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

#### ***Employee Benefits***

I confirm that we have made you aware of all employee benefit schemes in which employees of the authority participate.

### ***Contractual arrangements/agreements***

All contractual arrangements (including side-letters to agreements) entered into by the PCC (and Group) have been properly reflected in the accounting records or, where material (or potentially material) to the statement of accounts, have been disclosed to you.

### ***Litigation and claims***

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### ***Taxation***

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the PCC (or Group) or any associated company for whose taxation liabilities the PCC (or Group) may be responsible.

### ***Pension fund registered status***

I confirm that the Local Government Pension Scheme for Police Staff (LGPS), administered by Leicestershire County Council and the Police Pension Scheme for Police Officers (PPS) are Registered Pension Schemes. We are not aware of any reason why the tax status of the schemes should change.

### ***Bank accounts***

I confirm that I have disclosed all bank accounts to you.

### ***Subsequent events***

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

### ***Using the work of experts***

I agree with the findings of Leicestershire County Council Valuers, Hymans Robertson and Mercer Limited, who are experts in evaluating the valuation of our asset base and pension liability and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the financial statements and underlying accounting records. The PCC did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

### ***Deficiencies in internal control***

I have communicated to you all deficiencies in internal control of which I am aware.

### ***Accounting arrangements for the PCC and CC***

I have fulfilled my responsibilities, for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13; in particular the financial statements give a true and fair view in accordance therewith.

I have appropriately reflected the requirements as issued in CIPFA LAAP 95 and CIPFA LAAP 98A, alongside the Corporate Governance Framework established between the PCC and CC and that the Statement of Accounts provide a true and fair view of the local governance arrangements established and the financial transactions and position of the two corporation soles established under the legislation and the disclosure thereof.

.....

Chief Finance Officer

For and on behalf of The Office of the Police and Crime Commissioner for Leicestershire.

Date .....

## **Appendix 1 - Related parties and related party transactions**

All of the PCC (and Group)'s related parties are set out in the E7024 WGA Collection Pack 2014-15 (WGA excel file). The related parties are as listed in CPID\_List.

The PCC (and Group) have disclosed the significant transactions with its main related parties as detailed in Note 9 in the Statement of Accounts.

- Blaby District Council
- Charnwood Borough Council
- Harborough District Council
- Hinckley & Bosworth Borough Council
- Leicester City Council
- Melton Borough Council
- North-West Leicestershire District Council
- Oadby & Wigston Borough Council
- Rutland County Council
- Nottinghamshire Police
- Derbyshire Police
- Northamptonshire Police
- Lincolnshire Police
- Warwickshire Police
- West Yorkshire Police

**PricewaterhouseCoopers LLP**

Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

Dear Sirs

**Representation letter – audit of the Chief Constable (“CC”) of Leicestershire’s Statement of Accounts for the year ended 31 March 2015**

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the CC give a true and fair view of the affairs of the CC as at 31 March 2015 and of the income, expenditure and cashflows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15.

I acknowledge my responsibilities as Chief Finance Officer for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the CC and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of the CC, other chief officers, staff and the members of any Committees/Panels with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

***Statement of Accounts***

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15; in particular the Statement of Accounts give a true and fair view in accordance therewith.
- All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.
- Significant assumptions used by the CC in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

- All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires adjustment or disclosure have been adjusted or disclosed.

### ***Information Provided***

I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the CC's auditors, are aware of that information.

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the Statement of Accounts such as records, documentation and other matters, including minutes of the CC and its committees, and relevant management meetings;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the CC from whom you determined it necessary to obtain audit evidence.

So far as I am aware, there is no relevant audit information of which you are unaware.

### ***Accounting policies***

I confirm that I have reviewed the CC's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the CC's particular circumstances.

### ***Fraud and non-compliance with laws and regulations***

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the CC and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the Statement of Accounts.

- all information in relation to allegations of fraud, or suspected fraud, affecting the CC's Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing Statement of Accounts.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the CC conducts its business and which are central to the CC's ability to conduct its business or that could have a material effect on the Statement of Accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

#### ***Related party transactions***

I confirm that the attached appendix to this letter is a complete list of the CC's related parties. All transfer of resources, services or obligations between the CC and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

#### ***Employee Benefits***

I confirm that we have made you aware of all employee benefit schemes in which employees of the authority participate.

#### ***Contractual arrangements/agreements***

All contractual arrangements (including side-letters to agreements) entered into by the CC have been properly reflected in the accounting records or, where material (or potentially material) to the statement of accounts, have been disclosed to you.

#### ***Litigation and claims***

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### ***Taxation***

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

### ***Pension fund registered status***

I confirm that the Local Government Pension Scheme for Police Staff (LGPS), administered by Leicestershire County Council and the Police Pension Scheme for Police Officers (PPS) are Registered Pension Schemes. We are not aware of any reason why the tax status of the schemes should change.

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I confirm that I have disclosed all bank accounts to you.

### ***Subsequent events***

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

### ***Using the work of experts***

Report to those charged with governance

PwC • 30

I agree with the findings of Leicestershire County Council Valuers, Hymans Robertson and Mercer Limited, who are experts in evaluating the valuation of our asset base and pension liability and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the financial statements and underlying accounting records. The CC did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

***Deficiencies in internal control***

I have communicated to you all deficiencies in internal control of which I am aware.

***Accounting arrangements for the PCC and CC***

I have fulfilled my responsibilities, for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15; in particular the financial statements give a true and fair view in accordance therewith.

I have appropriately reflected the requirements as issued in CIPFA LAAP 95 and CIPFA LAAP 98A, alongside the scheme of governance and consent established between the PCC and CC and that the Statement of Accounts provide a true and fair view of the local governance arrangements established and the financial transactions and position of the two corporation soles established under the legislation and the disclosure thereof.

.....

Chief Finance Officer

For and on behalf of Chief Constable of Leicestershire

Date .....

## **Appendix 1 - Related parties and related party transactions**

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- Oadby & Wigston Borough Council
- Rutland County Council
- Nottinghamshire Police
- Derbyshire Police
- Northamptonshire Police
- Lincolnshire Police
- Warwickshire Police
- West Yorkshire Police



**pwc**

In the event that, pursuant to a request which the Office of the Police and Crime Commissioner (OPCC) and/or the Chief Constable of Leicestershire (CC) has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. the Office of the Police and Crime Commissioner (OPCC) and/or the Chief Constable of Leicestershire (CC) agrees to pay due regard to any representations which PwC may make in connection with such disclosure and the Office of the Police and Crime Commissioner (OPCC) and/or the Chief Constable of Leicestershire (CC) shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, the Office of the Police and Crime Commissioner (OPCC) and/or the Chief Constable of Leicestershire (CC) discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for the Office of the Police and Crime Commissioner (OPCC) and/or the Chief Constable of Leicestershire (CC) and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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