

Staffordshire Police

Annual Audit Letter

2012/13

Government and
Public Sector

October 2013

Annual Audit Letter for the Office of the Police and
Crime Commissioner for Staffordshire and the Office of the Chief
Constable of Staffordshire Police

Contents

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.

Introduction	2
Audit Findings	4
Final Fees	8

An audit 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.

Introduction

The purpose of this letter

This letter summarises the results of our 2012/13 audit work for members.

We have already reported the detailed findings from our audit work to the Joint Audit Committee in the following reports:

- External Audit Plan;
- Audit opinion for the 2012/13 financial statements, incorporating opinion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- Report to those charged with Governance (ISA (UK&I) 260);

The matters reported here are the most significant for the organisation.

Scope of Work

The organisation is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2013 and is 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.

We met our responsibilities as follows:

Audit Responsibility	Results
Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).	We reported our findings to the Joint Audit Committee at its meeting on 25 September 2013 in our 2012/13 <i>Report to those charged with governance (ISA (UK&I) 260)</i> . On 30 September 2013 we issued an unqualified audit opinion.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 30 September 2013. We issued a shortform Assurance Report as you fell under the £300m audit threshold.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	We reported our findings to the Joint Audit Committee at its meeting on 25 September 2013 in our 2012/13 <i>Report to those charged with governance (ISA (UK&I) 260)</i> . On 30 September 2013 we issued an unqualified audit opinion.

Audit Responsibility	Results
Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	<p>▶ We reported our findings to the Joint Audit Committee at its meeting on 25 September 2013 in our 2012/13 <i>Report to those charged with governance (ISA (UK&I) 260)</i>.</p> <p>There were no issues to report in this regard.</p>
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	<p>▶ There were no issues to report in this regard.</p>
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	<p>▶ There were no issues to report in this regard.</p>

Audit Responsibility	Results
Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	<p>▶ We reported our findings to the Joint Audit Committee at its meeting on 25 September 2013 in our 2012/13 <i>Report to those charged with governance (ISA (UK&I) 260)</i>. On 30 September 2013 we issued an unqualified audit opinion and issued our completion certificate</p>

We issued an unqualified audit opinion on your accounts on 27 September 2013.

We also issued an unqualified value for money conclusion.

Audit Findings

Accounts

We audited the accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 30 September 2013.

We identified the following key issues:

- The financial statements and the supporting schedules were ready within the agreed timetable. The quality of the working papers and draft accounts were again of a high standard. The finance staff were helpful and co-operative throughout;
- Our work on the systems identified no material weakness, with some recommendations reported for action;
- The net pension liability at the balance sheet date was £1.816 billion. This represents an increase of £0.254 billion on the previous year, largely because of changes in actuarial assumptions; and
- No material errors or errors above the £10,000 SUM reporting level were found in our work on the accounts.

The main accounting and auditing issues related to;

- The impact that on 15 September 2011 the Police Reform and Social Responsibility Act 2011 received Royal Assent in Parliament, which introduced a significant change in the way the police forces in England and Wales are governed and held accountable; and
- The treatment of the former headquarters site on Cannock Road.

Transition to Police and Crime Commissioner - Accounting Arrangements

On 22 November 2012, a Police and Crime Commissioner (PCC) was elected and appointed for Staffordshire and the Police Authority was replaced. The PCC and Chief Constable (CC) of Staffordshire became 'corporation sole' bodies.

The 2012/13 audit required new accounting arrangements to be implemented with single entity and group financial statements being produced for the first time. The single entity financial statements were driven by the governance arrangements established between the PCC and the CC.

As reported in detail in our ISA 260 report, we reviewed management's assessment, approach and accounting treatment adopted for the 2012/13 financial statements.

This resulted in us agreeing with the overall approach that management had taken when producing the financial statements, which was in line with the principles established within the Police LAAP Bulletin 95, the Code of Practice on Local Authority Accounting and the Corporate Governance Framework established between the PCC and CC 'corporation sole' bodies.

Cannock Road Site

In 2011/12 the Authority had agreed a sale of the former HQ site but this sale fell through.

Our audit work considered the progress with the sale of the Cannock Road site and the associated year-end accounting for the site and/or sale.

The Cannock Road site continues to be classified as an asset held for sale within current assets.

We obtained specific representations in relation to the organisations' judgments and the conclusion reached that there is no material impact for the carrying value and disclosure of the asset in the 2012/13 financial statements.

Overall, we concluded that the treatment and disclosure in the 2012/13 financial statements was materially fair for the PCC and Group.

Use of Resources

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on whether you had in place, for 2012/13, proper arrangements to secure economy, efficiency and effectiveness in your use of the Authority's resources.

In line with Audit Commission requirements, our conclusion was based on 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.

For police bodies outside London

For 2012/13, the Commission is continuing to disapply the specified VFM value for money conclusion criteria relating to financial resilience and prioritising resources for police bodies outside London. This is to enable auditors to focus on the key risks relating to the demise of police authorities and the transition to establishing PCCs (Police and Crime commissioners) and chief constables as new bodies.

We determine a local programme of audit work based on our audit risk assessment, informed by the guidance issued by

Staffordshire Police

the Audit Commission and our statutory responsibilities in relation to the local risks associated with abolition and transition. These risks will, however, include consideration of relevant aspects of the two specified VFM value for money criteria, recognising that police authorities will disappear but their functions have transferred to the new bodies.

Auditors will discharge their value for money duty for 2012/13 by:

- reviewing the police body's AGS (annual governance statement);
- reviewing the results of the work of the Commission and other relevant regulatory bodies or inspectorates, for example HMIC (Her Majesty's Inspectorate of Constabulary), to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- undertaking local risk-based work, or any work mandated by the Commission.

We issued unqualified conclusions on both organisations to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources on 30 September 2013.

However, we found the following matters which we brought to your attention:

- As reported in your July update of The Medium Term Financial Strategy (MTFS) which covers the period up to 2019/20 building on previous strategies and incorporating plans, policies and developments arising from the Police and Crime Commissioner's (PCC) new Police and Crime plan, Safer, Fairer, United Communities for Staffordshire. At the current time there is uncertainty about the future funding prospects for the police service in that the Comprehensive Spending Review (CSR) of 2010 only gave an indication of financial resources for 2014/15 (the fourth and final year of that particular CSR) and,

although the spending announcement on 26 June 2013 indicated the overall control totals for 2014/15 and 2015/16 for England and Wales, there will be no detailed allocations until later in the year. Furthermore, there will be no firm indication of what to expect from 2016/17 until the summer of 2015 after the general election on 7 May 2015.

- In addition, the government is also consulting on a new police funding formula which will examine possible changes to the way in which funding is allocated throughout England and Wales. At this stage you have assumed that there would be a neutral impact in Staffordshire but it must be emphasised that this could result in a reallocation of resources dependent on many factors, for example, demographics and local crime levels. Current expectations are that this review would take effect until April 2017.
- As detailed in the latest current MTFS, total savings of £7.8 million will be required in the two financial years from 2014 to 2016. That is challenging but options to enable such savings to be made are outlined in your MTFS, which include further reductions in staffing levels for both police officers and police staff. Looking further ahead, for the period from 2016 to 2020, then the financial position looks like it will become more difficult in that further total savings of £26.8 million are forecast and with fewer options to address the potential shortfall. £16.1 million of potential savings are identified but additional savings (over and above those suggested for staffing and non-pay) of £10.7 million will need to be made. It is vital that the organisation continues to explore and identify options and these are assessed over the next two years.
- The organisation has been successful in achieving its efficiency targets over the last ten years and, in particular over the last two years, savings of £8 million per annum have been delivered from various

cost reduction measures, a restructuring of the Force, the temporary use of regulation A19, a freeze (now relaxed) on police officer recruitment and a tight control on staff levels. Similar and indeed more measures will need to be pursued including better procurement, collaboration with other Forces and partners, reducing bureaucracy, better control of overtime

- The organisations 'Reshaping the Force' reserve stands at £3.1 million, the majority of the latter is being used to fund voluntary redundancy costs between 2013 and 2015 and some building and IT investment schemes.
- Performance monitoring remains a high focus for both the PCC and the Chief Constable. Latest 2012/13 performance has not highlighted any local concerns, with satisfaction levels being amongst the highest nationally, the national focus and reporting around sanction and detection for serious sexual offences is a wider national issue and remains a continued focus for the force.
- No significant concerns have been raised by recent HMIC inspections that would impact on your VfM conclusions. We considered three main reports published, namely Policing in Austerity (July 2012), PCC Budget Preparedness (September 2012) and Response to the Funding Challenge (July 2013).
- Some of the key messages following these inspections were: *'Staffordshire Police has responded well to the challenge of making savings. It has a well-managed and comprehensive programme to deliver the changes necessary to save money while protecting front line policing and improving services'. 'The programme has so far successfully delivered more savings than required each year and over this period the force has maintained strong performance in reducing crime, and securing high levels of public satisfaction'. 'HMIC is*

confident that the force has the capacity to deliver all of the savings required and is well placed to face future challenges'. (July 2013 - Policing in Austerity).

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The shortform assurance statement was submitted on 30 September 2013 as you fell below the £300 million audit threshold. We found no areas of concern to report in this context.

Final Fees

Final Fees for 2012/13

We reported our fee proposals in our audit plan.

We varied our fee because due to the change in financial IT systems at the beginning of the financial year and reported our revised fees to Joint Audit Committee on 25 September 2013.

Our final fees charged approved by the Audit Commission were therefore (shown as PCC, CC elements and total):

	2012/13 outturn	2012/13 fee proposal
Audit work performed under the Code of Audit Practice	53,330	47,000
- Statement of Accounts	22,772	20,000
- 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		
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Non Audit Work	0	0
	0	0
TOTAL	76,102	67,000

We have shown in the table below the 2011/12 outturn for the now former Staffordshire Police Authority:

	2011/12 outturn
Audit work performed under the Code of Audit Practice	104,366
- 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	
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Non Audit Work	0
TOTAL	104,366



In the event that, pursuant to a request which Staffordshire Police 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. Staffordshire Police agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Staffordshire Police shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Staffordshire Police 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 Authority] 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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130610-142627-JA-UK