

# The Audit Findings for Cheshire Police and Crime Commissioner and Chief Constable

**Year ended 31 March 2015**

September 2015

**John Gregory**

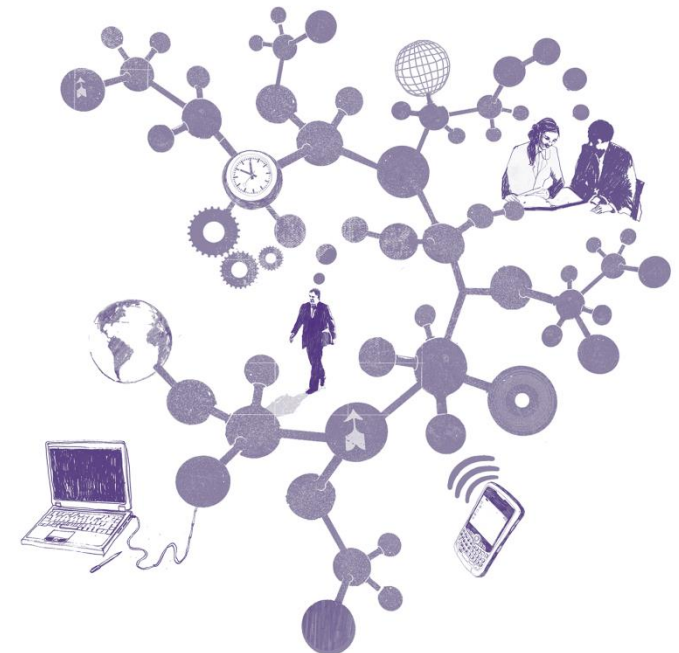
Engagement Lead  
T 0121 232 5333  
E [john.gregory@uk.gt.com](mailto:john.gregory@uk.gt.com)

**Helen Stevenson**

Audit Manager  
T 0161 234 6354  
E [helen.l.stevenson@uk.gt.com](mailto:helen.l.stevenson@uk.gt.com)

**Dave Catherall**

Audit Executive  
T 0161 214 6395  
E [dave.a.catherall@uk.gt.com](mailto:dave.a.catherall@uk.gt.com)



John Dwyer  
Police and Crime Commissioner for Cheshire  
Constabulary Headquarters  
Clemonds Hey  
Oakmere Road  
Winsford  
Cheshire CW7 2UA

Simon Byrne  
Chief Constable  
Cheshire Constabulary  
Constabulary Headquarters  
Clemonds Hey  
Oakmere Road  
Winsford  
Cheshire CW7 2UA

Grant Thornton UK LLP  
Colmore Plaza  
20 Colmore Circus  
BIRMINGHAM  
West Midlands  
B4 6AT

T +44 (0)121 212 4000  
F +44 (0)121 212 4014  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

Dear John and Simon

**Audit Findings for the Police and Crime Commissioner and Chief Constable of Cheshire for the year ending 31 March 2015**

This Audit Findings report highlights the significant findings arising from the audits of the Police and Crime Commissioner (PCC) and Chief Constable for the benefit of those charged with governance (in the case of Cheshire Police and Crime Commissioner and Chief Constable, the Joint Audit and Ethics Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents will be discussed with management and the Joint Audit and Ethics Committee.

As auditors we are responsible for performing the audits, in accordance with International Standards on Auditing (UK & Ireland), which are directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

John Gregory

**Chartered Accountants**

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see [grant-thornton.co.uk](http://grant-thornton.co.uk) for further details.

---

# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	4-8
2. Audit findings	9-27
3. Value for Money	28-34
4. Fees, non-audit services and independence	35-36
5. Communication of audit matters	37-38
<b>Appendices</b>	
A Audit of the PCC – draft audit opinion	41-42
B Audit of the Chief Constable – draft audit opinion	43-44

---

# Section 1: Executive summary

**01. Executive summary**

**02. Audit findings**

**03. Value for Money**

**04. Fees, non-audit services and independence**

**05. Communication of audit matters**

# Executive summary

## **Purpose of this report**

As the external auditor appointed to both the PCC and the Chief Constable for Cheshire we are required by the Audit Commission's Code of Audit Practice to report our audit findings to the PCC and the Chief Constable as the individuals charged with governance for the office of the PCC and the Chief Constable for Cheshire respectively.

This report (our Audit Findings Report) highlights the key matters arising from our audits of the PCC's and the Chief Constable's financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the PCC's and the Chief Constable's financial statements present a true and fair view of the financial position and their expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We issue separate audit opinions on the financial statements of the PCC and the Chief Constable.

We are also required to reach a formal conclusion on whether the PCC and Chief Constable have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources (the Value for Money conclusion). We issue separate conclusions for the PCC and the Chief Constable based on our assessment of the arrangements each has established.

## **Introduction**

In the conduct of our audits we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2015.

Our audits are both substantially complete, although we are finalising our work in the following areas:

- obtaining and reviewing the management letters of representation for both audits
- updating our post balance sheet events review, to the date of signing the opinion for both audits.

We received the draft financial statements and accompanying working papers for both the PCC and Chief Constable at the start of our audits, in accordance with the agreed timetable.

## **Key messages – audit of the Police and Crime Commissioner**

### **Financial statements opinion**

We anticipate providing an unqualified opinion on the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable.

The key messages arising from our audit of the group and PCC's financial statements are:

- The PCC has updated the presentation for the intra group funding to the Chief Constable within the PCC comprehensive income and expenditure statement (CIES). The funding cost of £188,987k previously shown within other operating expenditure is now included within the net cost of services. This amendment is as a result of clarified national guidance to promote consistency of presentation across police bodies.
- The PCC included an amount of £5,176k for VAT within both debtor and creditor balances. This should have been shown net. These entries have been amended with no overall impact on the Group's reported financial position.
- We identified non material adjustments to the Group and PCC's financial statements which management has agreed to make. These adjustments related to reclassifications and disclosure changes, but not altering reported financial performance.
- Finance staff provided high quality working papers at the start of the audit with further working papers produced as required. Finance staff were available throughout the audit to answer our questions promptly and provided additional information in a timely manner.

### **Value for Money conclusion**

We are pleased to report that, based on our review of the PCC's arrangements to secure economy, efficiency and effectiveness in their use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

### **Whole of Government Accounts (WGA)**

Cheshire PCC Group is below the threshold of £350m, therefore detailed work on WGA is not required.

We have included further details of our financial statements audit findings, including details of the adjustments referred to above, in section two of this

## **Key messages – audit of the Chief Constable**

### **Financial statements opinion**

We anticipate providing an unqualified opinion on the Chief Constable's financial statements, including the police officer pension fund accounting statements.

The key messages arising from our audit of the Chief Constable's financial statements are:

- The Chief Constable has updated the presentation for the intra group funding from the PCC within the CC comprehensive income and expenditure statement (CIES). The funding received of £188,987k previously shown within other operating expenditure is now included within the net cost of services. This amendment is as a result of clarified national guidance to promote consistency of presentation across police bodies.
- we identified some minor adjustments relating to reclassifications and disclosure changes which the Chief Finance Officer agreed to amend. They do not alter the reported financial performance.

Details of the adjustments referred to above are in section two of this report.

### **Value for Money conclusion**

We are pleased to report that, based on our review of the Chief Constable's arrangements to secure economy, efficiency and effectiveness in their use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

## Controls

### Roles and responsibilities

The PCC and the Chief Constable are responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Management has operated a common set of financial systems and controls to produce both sets of financial statements for 2014/15. Our work on the material financial systems used to prepare the financial statements has therefore supported our audits of both the PCC and the Chief Constable.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the PCC and to the Chief Constable.

### Findings

We draw your attention to the control issues identified at our interim audit and reported to you previously in our Audit Plan. These were:

- our walkthrough of police officer pensions identified an error with the calculation of the lump sum and annual pension payment. Specifically, the final salary used to calculate the lump sum and annual pension payment was incorrect. This resulted in an underpayment to the individual.
- our work on employee remuneration identified an error in the calculation of a redundancy payment calculation. We found a lack of evidence to support the method used to calculate weekend enhancements within a termination payment.

These areas have been investigated by finance staff and improved procedures put in place. We have not identified any further control issues from our opinion work.

## The way forward

Matters arising from the financial statements audits and our review of the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed and agreed with the Chief Financial Officers as well as the PCC and the Chief Constable as the two individuals charged with overall governance for the office of the PCC and the police force respectively.

Looking forward the challenge for the PCC and Chief Constable in 2015/16 will be to maintain the efficiency and effectiveness of police services in the context of the budget challenges and statutory responsibilities. Key to this will be the effective implementation of the emerging policing model together with looking at new service delivery arrangements and working co-operatively with partners.

The PCC and Chief Constable are looking for earlier closedown and preparation of the Statement of Accounts in 2015/16 in advance of implementation of the new statutory requirement in 2017/18. We will liaise with Finance staff to assist this process.

## Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by finance staff and other officers in both the office of the PCC and the police force during our audits.

**Grant Thornton UK LLP**  
**September 2015**



---

## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audits and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our Audit Plan, presented to the Joint Audit and Ethics Committee on 18 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you.

## **Audit opinion**

We expect to issue an unqualified opinion on both the PCC's financial statements and the Chief Constable's financial statements. Our proposed audit opinions are set out in Appendices A and B.

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Relevant to? PCC/CC/Both	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	Both	<p><b>Both PCC and Chief Constable audits</b></p> <p>Risk has been rebutted, as set out opposite.</p>	<p><b>PCC audit</b></p> <p>We have rebutted this presumed risk for the PCC because:</p> <ul style="list-style-type: none"> <li>revenue is principally grant allocations from central government and council tax precepts.</li> </ul> <p><b>Chief Constable audit</b></p> <p>We have rebutted this presumed risk for the Chief Constable because:</p> <ul style="list-style-type: none"> <li>revenue is an inter group transfer from PCC</li> <li>revenue does not involve cash transactions</li> </ul> <p>We therefore do not consider this to be a significant risk for either PCC or the Chief Constable.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk of management over-ride of controls</p>	Both	<p><b>Both PCC and Chief Constable audits</b></p> <ul style="list-style-type: none"> <li>review of accounting estimates, judgments and decisions made by management</li> <li>testing of journal entries</li> <li>review of unusual significant transactions</li> </ul>	<p><b>PCC audit</b></p> <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p><b>Chief Constable audit</b></p> <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Relevant to: PCC/CC/Both	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Both	Creditors understated or not recorded in the correct period	<p><b>PCC and Chief Constable audits</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls are in line with our documented understanding</li> <li>tested the year-end reconciliation of the accounts payable system to the general ledger</li> <li>tested operating expenses including sample testing of expenditure, year end accruals and creditor balances</li> </ul>	<p><b>PCC audit</b></p> <p>Our audit work identified:</p> <ul style="list-style-type: none"> <li>the PCC recorded gross VAT creditor and debtor balances, rather showing the net amount due. As a result the creditors and debtors were overstated by an equal amount of £5.176 million. There is no overall impact to the financial position;</li> <li>long term creditors included £1.158 million in relation to goods received but not invoiced. The PCC has re-classified these as short term creditors.</li> </ul> <p><b>Chief Constable audit</b></p> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<b>Employee remuneration</b>	Both	Employee remuneration and benefit obligations and expenses understated	<p><b>PCC and Chief Constable audits</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>identified controls and tested by walking through the employee remuneration transaction cycle (including processing of officer and staff overtime payments)</li> <li>tested the year-end reconciliation of the payroll system to the general ledger</li> <li>completed an analysis of trends to identify any anomalous areas for further investigation.</li> <li>substantively tested a sample of staff and officer payroll payments, ensuring that these were made in accordance with the individual's contract of employment</li> <li>tested to confirm the completeness of payroll transactions and appropriate cut-off.</li> </ul>	<p><b>PCC audit</b></p> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p><b>Chief Constable audit</b></p> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

# Audit findings against other risks continued


Transaction cycle	Relevant to: PCC/CC/Both	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Pensions Benefits Payable</b></p>	<p>Chief Constable</p>	<p>Benefits improperly computed/ Claims liability understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• tested the reconciliation of pension benefit payments recorded in the general ledger to the subsidiary systems and interfaces</li> <li>• analysed trends and relationships to identify any anomalous areas for further investigation</li> <li>• substantively tested monthly pension benefit payments made in the year</li> <li>• substantively tested lump sum pension benefit payments made in the year</li> </ul>	<p><b>PCC Group audit</b> Our audit work has not identified any significant issues in relation to the risk identified.</p> <p><b>Chief Constable audit</b> Our audit work has not identified any significant issues in relation to the risk identified.</p>

# Significant matters discussed with management



	Significant matter	Commentary
1.	<p>Note 37 to the draft financial statements reported a contingent liability relating to the following matter:</p> <ul style="list-style-type: none"> <li>Pensions Ombudsman decision in relation to lump sum commutation factors applied to police officer retirements between 12/2001 and 11/2006</li> </ul>	<p>We have discussed the position on the additional pensions liability with finance officers.</p> <p>We understand that the PCC and Chief Constable's pension provider has completed a high level review of Cheshire's pensioners to assess the numbers of them affected by the ruling. This has identified a number of uncertainties over the numbers affected, data and value of potential payments to be able to provide an accurate estimate of the liability for the 2014/15 accounts.</p> <p>The PCC does not have the level of detailed analysis of pensioner data and numbers to be able to provide a robust estimate at this stage. This is something that the pensions provider will need to assess in further detail.</p> <p><b>Management response</b></p> <p>At the time of publishing these accounts a judgement has been made that given the number of officers involved; the individual impact on their pension; and the associated costs are not yet clear, the level of uncertainties prohibits a realistic estimate being calculated and therefore no provision has been made.</p> <p>The PCC has included an expanded disclosure within note 37 (contingent assets and liabilities) setting out the current position.</p>

# Accounting policies, estimates & judgments

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgments made and included with the PCC and Chief Constable's financial statements.

Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
Revenue recognition	Both	<p><b>PCC</b></p> <p>The PCC has two principal revenue streams:</p> <ul style="list-style-type: none"> <li>grant income is recognised in accordance with the terms of the grant, whether specific or non-specific; and</li> <li>income from fees and charges in the provision of services, which is recognised when the service has been provided or when title to goods has passed.</li> </ul> <p>All income is accounted for by the PCC and paid into the Police Fund.</p> <p><b>Chief Constable</b></p> <ul style="list-style-type: none"> <li>the Chief Constable is entirely funded by the PCC. Income is recognised in the Chief Constable's accounts, to reflect the simultaneous funding by the PCC, of the financial resources consumed by the Chief Constable.</li> </ul>	<p>We have reviewed the accounting policies against the requirements of the Code of Practice on Local Authority Accounting (The Code).</p> <ul style="list-style-type: none"> <li>The approach to accounting for income is robust and in accordance with current guidance</li> <li>Disclosure of the revenue recognition policy is adequate</li> <li>The revenue recognition policies of the PCC and Chief Constable are appropriate to the accounting framework and are adequately disclosed. Our audit testing has not identified any areas of concerns in respect of revenue recognition</li> </ul>	 <b>Green</b>


## Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

# Accounting policies, estimates & judgments

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgments made and included with the PCC's and Chief Constable's financial statements.

Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
<b>Cost recognition</b>	Both	<p><b>PCC policy</b></p> <ul style="list-style-type: none"> <li>expenditure is recognised on an accruals basis.</li> <li>PCC expenditure includes the cost of policing provided by the Chief Constable, this cost is recognised as intra-group funding.</li> <li>the cost of support services are apportioned to services in full in line with the CIPFA Service Reporting Code of Practice (SeRCoP) 2014/15. These costs are charged to relevant policing services in the CIES.</li> </ul> <p><b>Chief Constable policy</b></p> <ul style="list-style-type: none"> <li>expenditure is recognised on an accruals basis in the Chief Constable's financial statements.</li> <li>as noted above, this includes the cost of support services, including finance, property, IT and legal services, which are apportioned to services in line with the CIPFA Service Reporting Code of Practice (SeRCoP) 2014/15.</li> </ul>	<p><b>PCC audit</b></p> <p>We are satisfied that expenditure recognition policies are appropriate and result in materially accurate recognition of costs in the PCC's financial statements and those of the group.</p> <p>We are also satisfied that the policy reflects the arrangements for the PCC to fund the Chief Constable's operations and that this does form the basis of the intra-group adjustment.</p> <p><b>Chief Constable audit</b></p> <p>We are satisfied that expenditure recognition policies are appropriate and result in materially accurate recognition of costs in the Chief Constable's financial statements.</p>	 <b>Green</b>



## Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient

- Accounting policy appropriate but scope for improved disclosure




# Accounting policies, estimates & judgments continued

Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
<b>Other accounting policies</b>	Both	<p><b>PCC and Chief Constable</b></p> <p>We have reviewed the PCC's and the Chief Constable's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p><b>PCC audit and Chief Constable audit</b></p> <p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention for either the PCC or the Chief Constable.</p>	<p style="text-align: center;"> <b>Green</b></p>
<b>Going concern</b>	Both	<p><b>PCC and Chief Constable</b></p> <p>The Police and Crime Commissioner and the Chief Constable both have a reasonable expectation that the services they provided will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>PCC and the Chief Constable face significant financial challenges due to cuts in the grant they receive from the Home Office. To their credit, both organisations share a good understanding of the scale of this financial challenge over the medium-term.</p> <p>The PCC has approved a balanced budget for 2015/16 and a medium term financial plan to 2019/20. This currently includes a savings target of £34 million, which the PCC plans to address with increased efficiencies and service level and transformational change.</p> <p>We have examined the reasonableness of the assumptions underlying this forecast, and the sensitivity of the forecasts to changes in those assumptions. We do not consider there to be a material uncertainty which could cast doubt either entity's ability to continue as a going concern.</p> <p>The PCC group has general fund balances of £5.9 million and earmarked reserves of £23.1 million as at 31 March 2015. Based on this, we are satisfied that it remains appropriate for the PCC and Chief Constable to prepare accounts on a going concern basis as at 31 March 2015.</p>	<p style="text-align: center;"> <b>Green</b></p>

**Assessment**

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient
- Accounting policy appropriate but scope for improved disclosure

# Accounting policies, estimates & judgments continued


Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
<p><b>Estimates and judgements – land and building valuations</b></p>	<p><b>PCC</b></p>	<p>Key estimates and judgments include the classification, valuation, impairment and useful life of property, plant and equipment.</p> <p>Note 11 to the PCC group accounts sets out the authority's programme of revaluations. This shows that the last full valuation was carried out in 2010/11 with the next valuation due 2015/16. A full desktop exercise was completed as at 31 March 2015.</p> <p>The PCC has not adjusted the values of assets shown in the accounts but used this as a basis for showing that the assets values are not materially misstated.</p> <p>This approach is similar to many other bodies, and we are satisfied that the carrying amount of Property, Plant and Equipment (based on the desktop valuations) does not differ materially from the fair value at 31 March 2015.</p>	<p>We undertook a detailed review of the work performed by the PCC's valuer to provide land and building valuations for financial reporting purposes.</p> <p>We were satisfied from our review of the valuation report, that the methods and assumptions used by the valuer in valuing the PCC's land and property assets are considered to be reasonable and result in land and buildings being materially stated.</p> <p>We note that land and buildings valuations have not been adjusted for the desktop valuation exercise as at 31 March 2015. This action is permitted by the Code, however, it differs from previous years desktop valuations.</p> <p>We are satisfied that that the land and building valuations at 31 March 2015 are not materially misstated.</p> <p>The 2013/14 valuation exercise contained an error with the revaluation of land and building for Blacon custodial suite. This resulted in land being overstated by £907k and building understated by £214k. This error came to light in 2014/15 audit and will be corrected in the 2015/16 full revaluation of all assets.</p>	<p style="text-align: center;">   <b>Green</b> </p>

**Assessment**

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient

- Accounting policy appropriate but scope for improved disclosure

# Accounting policies, estimates & judgments continued


Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
<p><b>Estimates and judgements – police officer pension fund liability</b></p>	<p>Both</p>	<p>The Chief Constable is responsible for administering the Police Pension Fund which covers the 2006 New Police Pension Scheme (NPPS) and the Police Pension Scheme (PPS), both of which are unfunded, defined benefit schemes. The financial liability for these schemes appears on the Chief Constables balance sheet, funded by an equal and opposite intra-group contribution from the PCC.</p> <p>The liabilities relating to these schemes have been assessed by the Government Actuaries Department using data provided by the Group. Changes in actuarial assumptions led to a £280 million increase in the size of the liability, which stood at £2 billion at 31 March 2015.</p>	<p>We undertook a detailed review of the actuary's work to satisfy ourselves that the police officer pension fund liabilities are fairly stated in the financial statements. In doing so, we engaged our own independent actuary to assess the methodology and assumptions used by the scheme actuary.</p> <p>The value of the police officer pension fund liability is most sensitive to changes in the following key assumptions:</p> <ul style="list-style-type: none"> <li>• discount rate;</li> <li>• mortality;</li> <li>• inflation; and</li> <li>• future salary increases.</li> </ul> <p>We have reviewed the assumptions used by GAD for each of these variables, and note that they are consistent with those used for other police and fire schemes. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by GAD are reasonable for the purpose of valuing the liability as at 31 March 2015.</p> <p>The work of the Pension Fund's actuary also relies on having accurate source data about scheme members. We undertook additional work to check that source data provided to the actuary was complete and accurate. We did not identify any errors from this work.</p>	<p style="text-align: center;">   <b>Green</b> </p>

**Assessment**

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient

- Accounting policy appropriate but scope for improved disclosure

# Accounting policies, Estimates & Judgments– review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	 <b>Green</b>	<p><b>Depreciation</b></p> <p>Our examination of a sample of depreciation calculations in 2013/14 found some errors in the formula which did not calculate depreciation in line with the PCC's accounting policy. These arose when:</p> <ul style="list-style-type: none"> <li>• assets were nearing the end of useful economic life and the asset was not written down to a nil value</li> <li>• the calculation had been done on a gross cost, rather than net book value.</li> </ul> <p>We recommended the PCC examine the depreciation formulas within its asset register. This was to ensure these are calculating accurate entries for all assets in line with the stated accounting policy.</p>	<p>The PCC carried out a full review of the asset register during 2014/15 to ensure this was calculating depreciation in accordance with the agreed accounting policy.</p> <p>The PCC's policy is to depreciate assets on a straight line basis over the life of the asset with the expectation that an asset will have no 'value' at the end of it's asset life. The PCC's review identified a number of assets, mainly plant, equipment and vehicles, where the asset had no remaining asset life and yet the asset register recorded a residual value against that asset. As a result in 2014/15 the PCC charged an additional amount of £1.058 million to fully depreciate those assets which had a residual value with no residual life remaining.</p>

**Assessment**  
 ✓ Action completed  
 X Not yet addressed

# Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Joint Audit and Ethics Committee .We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the PCC and the Chief Constable.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements of either the PCC or the Chief Constable</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed</li> </ul>

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audits included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Pensions Benefits Payable as set out on pages 12 and 13.

The controls were found to be operating effectively, subject to the control weakness outlined in our Audit Plan. We have no further matters to report to the Police and Crime Commissioner and Chief Constable, or the Joint Audit and Ethics Committee.

# Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p><b>Payroll change data</b></p> <p><b>PCC</b> In previous years the PCC recognised and took action on identified control weaknesses in the processing of changes to payroll data which we followed up in 2013/14.</p> <p>We recommended that the PCC and Chief Constable:</p> <ul style="list-style-type: none"> <li>• embed improvements to control measures to reduce the risk of errors in processing payroll changes</li> <li>• maintain readily available HR records with a minimum set of information to support all changes to payroll data.</li> <li>• ensure all payroll change information is authorised</li> </ul>	<p>The PCC and Chief Constable strengthened arrangements for payroll change information. Our walkthrough and sample based substantive testing in 2014/15 did not identify any errors.</p>
2.	✓	<p><b>Pension payments</b></p> <p>In 2013/14 the PCC identified a number of under and overpayments of pensions payments from an examination of a sample of pensions reconciliation data. We also noted errors during our audit and a lack of robust supporting HR evidence for pension payments being made.</p> <p>The PCC set up a Pensions Group during 2014/15. This was tasked with looking into these matters and establishing proportionate and appropriate controls for processing and supporting pension payments made.</p>	<p>The Pensions Group completed an initial phase of work dealing with the over and underpayments and further on-going work is taking place to document and review the pensions' control framework.</p> <p>The outcome of the review is being reported to Management Board together with any recommended improvements to the Pensions Control Framework.</p> <p>We are satisfied therefore that the PCC is taking action to secure improvements in the processing of pension payments. The PCC is due to complete this work during 2015 and has requested further independent audit of the revised processes to ensure that these are effective.</p>

**Assessment**  
 ✓ Action completed  
 X Not yet addressed

# Adjusted misstatements – Police and Crime Commissioner financial statements

A number of adjustments to the PCC's draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the PCC audit which have been processed by management.

## Impact of adjusted misstatements

All adjusted misstatements in the PCC's accounts are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
<p>1 Long term creditors included goods received and not invoiced which totalled £1,158k. These should be included as short term creditors.</p> <p>This is a classification issue with short term creditors understated and long term creditors overstated by same amount.</p>	N/A	<p>Short term creditors +£1,158k</p> <p>Long term creditors - £1,158k</p>	N/A
<p>2 The PCC overstated debtors and creditors figures in the accounts.</p> <p>The debtors figure included £6,461,096 relating to VAT and creditors included £5,175,957.</p> <p>The true HMRC debtor is the net of these two figures (£1,285,139) and should be shown as a debtor.</p> <p>There is no effect on the overall financial position.</p>	N/A	<p>short term creditors - £5,176k</p> <p>Debtors -£5,176k</p>	N/A
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

Note there were no adjusted misstatements in the Chief Constable's accounts.



# Misclassifications & disclosure changes – Police and Crime Commissioner financial statements

The table below provides details of misclassification and disclosure changes to the PCC's financial statements, including the group consolidation, identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	188,987	CIES and note 10	<p>There was a national issue identified around the inconsistency in how the PCC 's CIES accounted for the intra group funding (i.e. the funding provided by the PCC to the Chief Constable to fund services). The PCC's funding of the Chief Constable's services should be shown above the line – i.e. above net cost of services in the CIES and not placed it below the line as part of the 'surplus/deficit on the provision of services'.</p> <p>Other operating expenditure for the PCC (in note 10) has been reanalysed to remove the funding to a separate cost of services line. The PCC has also updated comparative amounts and added a disclosure.</p>
2 Misclassification		Note 18 Creditors	<p>As set out on page 25 the PCC corrected the creditor balance for:</p> <ul style="list-style-type: none"> <li>- overstated VAT shown gross 5,176k</li> <li>- misclassification of goods received notes not invoiced between short term and long term creditors £1,158k.</li> </ul>
3 Disclosure	n/a	Note 4 critical judgements in applying accounting policies - Collaborations	The PCC amended the note to include collaborations.

## Misclassifications & disclosure changes – Police and Crime Commissioner financial statements

The table below provides details of misclassification and disclosure changes to the PCC's financial statements, including the group consolidation, identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
4 Disclosure	n/a	Note 24 collaborations	The PCC added a note for the accounting treatment on the TITAN collaboration.
5 Disclosure	n/a	Various	Minor changes were made to some referencing and to the notes on financial instruments (note 13) and reserves (note 9).
6 Misclassification	5,176	Note 15 Debtors	As set out on page 25 the PCC has corrected the creditor balance for overstated VAT shown gross £5,176k

## Misclassifications & disclosure changes – Chief Constable financial statements

The table below provides details of misclassification and disclosure changes to the Chief Constable financial statements identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	n/a	Various	Minor changes were made to the notes on: Financial instruments; balance sheet referencing; note 9 reserves.
2 Misclassification	188,987	CIES	There was a national issue identified around the inconsistency in how the Chief Constable 's CIES accounted for the intra group funding (i.e. the funding provided by the PCC to the CC to fund services). The PCC's funding of CC services should be shown above the line – i.e. above net cost of services in the CIES and not placed it below the line as part of the 'surplus/deficit on the provision of services'.
3 Disclosure	N/A	Contingent liability note	Update contingent liability note for issues that impact on the Chief Constable.

---

## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non-audit services and independence

05. Communication of audit matters

# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the responsibilities of Cheshire PCC and the Chief Constable to each put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

**Cheshire PCC and the Chief Constable each has proper arrangements in place for securing financial resilience** - the PCC and the Chief Constable each has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**Cheshire PCC and the Chief Constable each has proper arrangements for challenging how it secures economy, efficiency and effectiveness** - the PCC and the Chief Constable are each prioritising their resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings - PCC

### Securing financial resilience

We have undertaken a review which considered the PCC's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

The main matters to note from our work are:

- the PCC Group has general fund balances of £5.9 million and earmarked reserves of £23.1 million as at 31 March 2015. As part of the reserves strategy the PCC has earmarked £14 million in a medium term financial strategy reserve. This is to support future transition projects and required organisational change to deliver services in line with the Police and Crime Plan's objectives despite significant cuts in funding. The reserves appear adequate at the present time to support current financial challenge and the changing nature of crime.
- the PCC has shown strong financial resilience and good financial planning and management and continues to do so. The PCC realised additional revenue savings of £2.56 million in 2014/15, mainly due to reductions in pay costs and additional income. However the scale of the financial challenge remains significant. The PCC's approved MTFS covers the 5 year period to 2019/20 and currently anticipates an overall savings and efficiency requirement of £34 million over the MTFS period.
- The challenge is however becoming increasingly difficult to meet and whilst 2015/16 is budgeted to be delivered, the financial position will be increasingly challenging thereafter. Recent announcements on additional funding cuts of potentially 25-40% will require significant further savings in order to balance the budget. Essential therefore to the delivery of further required savings will be the successful implementation of the new policing model to drive out efficiencies and help the Chief Constable to deliver services in line with the Police and Crime Plan's objectives.

# Value for Money

## **Challenging economy, efficiency and effectiveness**

We have considered the PCC's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

The main matters to note from our VFM conclusion work are:

- the PCC undertook a root and branch review of all activities across the Constabulary as part of a Priority Based Budgeting (PBB) process to help meet the financial and operational challenges in the medium term. The PBB has resulted in a fundamental redesign and refocus of the Constabulary to improve the effective and efficient use of reduced resources. The results of this informed the update of the 2015/20 MTFS and the design of its future policing model.
- The PCC working with the Constabulary has made significant progress during the year to develop Estates and IT Strategies. Putting these strategies into practice will offer opportunities for reduced costs over time and support the emerging policing model. The future policing model moves to a more centrally managed locally based model with single deployment across geographical local policing units. Key elements of the future strategies are the approach to 'Agile Working', sharing of premises with partner agencies and increased modernisation and control of the estate.
- The PCC has continued to work with the Chief Constable to maintain and embed the governance framework. The PCC established a joint ethics and audit committee during the year to provide further oversight on ethical and integrity issues.

## **Overall Vfm conclusion – PCC**

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 has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

# Value for Money continued

## Key findings – Chief Constable

### Securing financial resilience

We have undertaken a review which considered the Chief Constable's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted

- the Chief Constable has adequate arrangements in place to secure financial resilience. The Force realised additional revenue savings of £2.56 million in 2014/15 which contributed to an increase in group reserves. The increase in reserves will help support spending in the period to 2019/20.
- the Chief Constable has effective arrangements in place which enabled the Force to deliver its target savings during 2014/15. There is an even greater challenge in the future with the need to achieve further savings over the next five years. The latest MTFS anticipates these as £8million in 2015/16, £7million in 2016/17 and £6million thereafter until 2019/20. A total savings requirement of £34million over the period.
- Achieving these savings is critically important, as the level of planned reductions in grant funding from central government between 2015/16 and 2019/20 may exceed the level of the reserves that are not specifically earmarked. We are satisfied however that the PCC working with the Chief Constable is taking action to modernise policing within Cheshire to drive out efficiencies to meet the future financial challenge.

### Challenging economy, efficiency and effectiveness

We have considered the Chief Constable's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Chief Constable has adequate arrangements in place.

The Chief Constable has maintained a focus on operational performance at the same time as making efficiency savings during 2014/15. Locally there was a decrease of 4.7% for all recorded crime. There were significant increases in domestic violence, sexual offences and road traffic collisions offset against the reductions in business crime, anti-social behaviour and improved numbers of crime solved. The Chief Constable is focussed on addressing the continuing challenge to protect and maximise visible frontline policing whilst balancing reductions in funding.

The Constabulary is restructuring and implementing a new policing model to establish 8 local policing units to replace the existing 19 neighbourhood units and 3 police areas. This is a result of a thorough root and branch review of activities to drive out efficiencies and create a modern and sustainable policing force to meet future financial and operational challenges. Essential to the delivery of the ambition within the emerging policing model are the modernisation of the estate and IT, together with continued emphasis on collaboration.

Whilst the Constabulary has effective arrangements for prioritising its resources, looking at new service delivery arrangements and working co-operatively with partners, the continued improvement of these arrangements will be crucial to meeting the significant financial challenges in the future.

# Value for Money continued

## **Overall VfM conclusion – Chief Constable**

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 Chief Constable has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.



## Detailed findings – Police and Crime Commissioner and Chief Constable

We set out below our detailed findings against six risk areas which have been used to assess the PCC's and Chief Constable's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
<b>Key indicators of performance</b>	<p>The PCC Group realised additional revenue savings of £2.56 million in 2014/15 and has general fund balances of £5.9 million and earmarked reserves of £23.1 million as at 31 March 2015. The general fund reserve balance as at 31 March 2015 is in line with the PCC's reserves strategy of maintaining this at 3-3.5% of net revenue budget. In addition the PCC has created a medium term financial strategy reserve to fund the implementation costs of the development programme and to address any potential short term delays to delivery. This currently stands at £14 million.</p> <p>The final capital outturn for 2014/15 was £4.2 million against a revised budget of £8million, an underspend of £3.8million, due re-profiling of some schemes for delivery during 2015/16.</p>	<b>Green</b>
<b>Strategic financial planning</b>	<p>The MTF5 2015/20 highlights the on-going significant financial challenges faced over the period to 2019/20. Over the 5 year period to 2014/15 the PCC has delivered savings of £38million (or 20% of the gross budget) and currently anticipates a further savings and efficiency requirement of £34 million for the 5 period to 2019/20. The PCC has set plans in place to address the future budget gap by increasing efficiencies and implementing changed levels of service through the annual PBB process as well as large scale transformational change.</p>	<b>Green</b>
<b>Financial governance</b>	<p>The PCC and CC have established effective scrutiny and governance arrangements. The PCC approved a Scheme of Corporate Governance which is reviewed annually. The scheme includes business rules, schemes of consent and delegation for the PCC and Chief Constable and financial regulations.</p> <p>The PCC and Chief Constable have established a joint independent ethics and audit committee as a key part of the framework. The committee advises the PCC and Chief Constable in accordance with good governance principles, a key requirement of which includes a transparent ethical framework.</p>	<b>Green</b>

## Detailed findings – Police and Crime Commissioner

We set out below our detailed findings against six risk areas which have been used to assess the PCC's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
<b>Financial control</b>	<p>The PCC has sound budget monitoring arrangements in place. The PCC considers monthly reports on budgetary performance and progress against budgeted savings as part of the scrutiny process.</p> <p>The PCC and Chief Constable manage budgets well and this is evidenced by a good track record in under spending the overall budget.</p>	<b>Green</b>
<b>Prioritising resources</b>	<p>The PCC consulted with the public and partners during 2015 and considered the Chief Constable's views on key areas of threat and wider policing priorities as part of a light touch refresh of the Police and Crime Plan. The results of this were used to confirm that the Plan and the policing objectives contained within it remain relevant and reflect the concerns of the people of Cheshire and align with the priorities of key partners. As part of the consultation over 75% of respondents thought Cheshire police provided an excellent or good services with a further 20% reporting this as fair.</p> <p>The PCC's priorities focus on enhancing frontline policing to protect Cheshire communities, improved support for victims, and building strong partnerships. Resources have been focused on priorities in the 2015/16 budget. The budget is balanced and 2014/15 revenue budget underspent.</p>	<b>Green</b>
<b>Improving efficiency &amp; productivity</b>	<p>PCC senior management and the Chief Constable's officers have worked together to implement the priorities in the Police and Crime Plan. The PCC monitors the delivery and performance against the Police and Crime Plan objectives in scrutiny meetings with the Chief Constable. The PCC sets performance indicators against the objectives and receives regular reports on progress.</p>	<b>Green</b>

---

## Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non-audit services and independence**

05. Communication of audit matters

# Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services during 2014/15.

## Fees services

	Per Audit plan £	Actual fees £
Police and Crime Commissioner audit	45,100	45,100
Chief Constable audit	20,000	20,000
<b>Total audit fees</b>	<b>65,100</b>	<b>65,100</b>

## Fees for other services

Service	Fees £
<b>Audit related services</b>	
Additional audit work to review pensions control processes *	To be agreed

### *pensions control processes\**

We will agree the scope of work with you to complete additional work to examine your documentation and testing of your pensions control processes.

## Independence and ethics

We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standards.

Ethical standards and International Standards on Auditing ISA (UK&I) 260 require us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you:

- we have recently been awarded additional non audit work to review the commercial development progress and opportunities of the Multi-Force Shared Service (MFSS).

This work will be completed by a separate advisory team who are wholly independent of the audit function.

---

## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audits, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the PCC's and the Chief Constable's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the PCC's and the Chief Constable's key risks when reaching our conclusions under the Code.

It is the responsibility of the PCC and the Chief Constable to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the PCC and the Chief Constable are fulfilling these responsibilities.

	Audit Plan	Audit Findings
<b>Our communication plan</b>		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's reports		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

# Appendix A: Audit opinion for the Police and Crime Commissioner

**We anticipate we will provide the PCC with an unmodified audit report**

## **INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR CHESHIRE POLICE**

We have audited the financial statements of the Police and Crime Commissioner for Cheshire Police for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Police and Crime Commissioner Single Entity and Group Movement in Reserves Statement, the Police and Crime Commissioner Single Entity and Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner Single Entity and Group Balance Sheet, the Police and Crime Commissioner Single Entity and Group Cash Flow Statement and the related notes and include the Cheshire Police Pension Fund financial statements comprising the Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Police and Crime Commissioner for Cheshire Police, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner Single Entity and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Cheshire as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income 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 and applicable law.

## **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or



- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

**Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Respective responsibilities of the Police and Crime Commissioner and the auditor**

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Police and Crime Commissioner has

proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Cheshire Police put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

**Certificate**

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Cheshire Police in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Gregory  
Appointed Auditor  
for and on behalf of Grant Thornton UK LLP

September 2015

# Appendix B: Audit opinion for the Chief Constable

**We anticipate we will provide the Chief Constable with an unmodified audit report**

## **INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR CHESHIRE POLICE**

We have audited the financial statements of the Chief Constable for Cheshire Police for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the Cheshire Police Pension Fund financial statements comprising the Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Chief Constable for Cheshire Police, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Cheshire Police as at 31 March 2015 and of its expenditure and income 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 and applicable law.

## **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Chief Constable to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

**Conclusion on the Chief Constable’s arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Respective responsibilities of the Chief Constable and the auditor**

The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Chief Constable has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Chief Constable for Cheshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

**Certificate**

We certify that we have completed the audit of the financial statements of the Chief Constable for Cheshire in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Gregory  
Appointed Auditor  
for and on behalf of Grant Thornton UK LLP, Auditor

September 2015



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**