

The Audit Findings Report for Wiltshire Police and Crime Commissioner and Chief Constable

Year ended 31 March 2013

19 September 2013

Simon Garlick

Director

T 0117 305 7878

E simon.p.garlick@uk.gt.com

Chris Rockey

Audit Manager

T 0117 305 7849

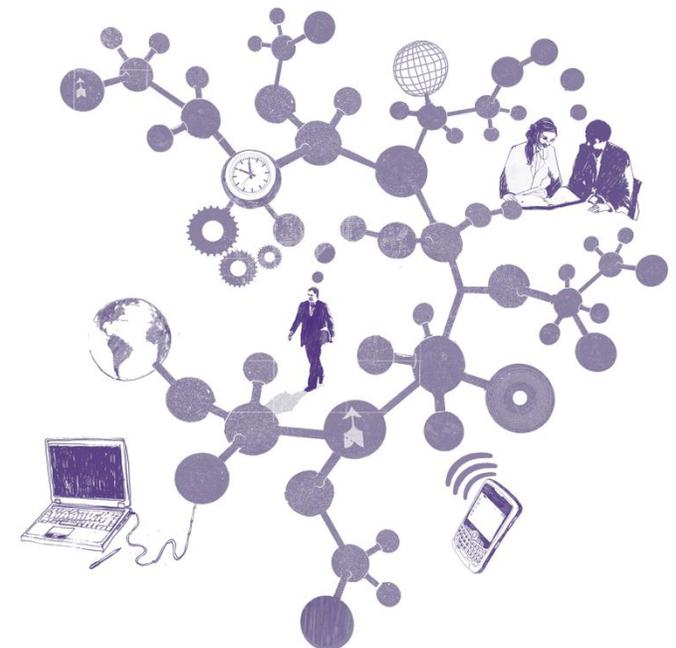
E chris.rockey@uk.gt.com

Jackson Murray

Executive

T 0117 305 7859

E jackson.murray@uk.gt.com



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.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	8
3. Value for Money	30
4. Fees, non-audit services and independence	35
5. Communication of audit matters	37

Appendices

- A Action plan of agreed recommendations – PCC and Chief Constable
- B Audit of the PCC – draft auditor's report
- C Audit of the Chief Constable – draft auditor's report
- D Overview of audit findings

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

Background

The Police Reform and Social Responsibility Act 2012 created the post of Police and Crime Commissioner (PCC), a directly-elected official responsible for setting policing priorities and holding their local Chief Constable to account in delivering these, in 42 of the 43 police areas in England and Wales. The first elections were held on 15 November with elected PCCs taking office on 22 November 2012, replacing the police authority arrangements that had existed previously in each area from this date.

The 2012 Act stipulates that both the PCC and Chief Constable for each police area be established as corporations sole, and as such both are required to prepare individual financial statements subject to audit under the Audit Commission Act 1998. In accordance with merger accounting principles, the PCC and the Chief Constable have prepared their financial statements for 2012/13 with effect from 1 April 2012.

Purpose of this report

As the external auditor appointed to both the PCC and the Chief Constable for Wiltshire 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 Constabulary respectively. This document, our Audit Findings Report, summarises the key findings and recommendations from our audits of the PCC and the Chief Constable in one place.

We report whether, in our opinion, the PCC's and Chief Constable's financial statements for the year ended 31 March 2013 present a true and fair view of the financial position, 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 also report whether the PCC and Chief Constable have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2013, referred to as 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.

Key messages – audit of the Police and Crime Commissioner

Financial statements opinion

We expect to issue an unqualified opinion on the PCC's financial statements, including the group accounting statements which consolidate the financial activities of the Chief Constable, by 30 September 2013.

Our audit identified five adjustments to the PCC's financial statements which management has agreed to make – two of these related to the main financial statements, the other three related to disclosure notes.

There was one material adjustment between the PCC's and Chief Constable's financial statements relating to the recognition of the IAS 19 Pensions Liability. This did not alter the financial position reported in the Group accounts, and the adjustment was made to show the liability in the Chief Constable's statements instead of the PCC's statements.

Our audit has identified 2 adjustments to the PCC's financial statements which management has decided not to make. One relates to the PFI Finance Lease Liability in the PCC's Balance Sheet and the other to the accounting treatment of the Council Tax Freeze Grant in the PCC's Comprehensive Income and Expenditure Statement. Neither items are material, and both are classification issues that would not adjust the reported financial performance of the PCC or the Group.

Executive summary

We have included further details of our financial statements audit findings, including details of the adjustments referred to above, in section 2 of this report.

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 2 May 2013.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable. The draft accounts were of a good standard and were supported by comprehensive working papers.

Value for money conclusion

Based on our review of the PCC's arrangements to secure economy, efficiency and effectiveness in their use of resources, we expect to give an unqualified Value for money conclusion on the same date as our opinion on the financial statements.

We have set out further details of the findings and recommendations from the work supporting our Value for money conclusion in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Key messages – audit of the Chief Constable

Financial statements opinion

We expect to issue an unqualified opinion on the Chief Constable's financial statements, including the police officer pension fund accounting statements, by 30 September 2013.

Our audit identified four adjustments to the Chief Constable's financial statements which management has agreed to make – one of these related to the main financial statements, the other three related to disclosure notes. Our audit also identified trivial spelling, referencing, mathematical and disclosure adjustments – due to their nature they have not been included in this report, but management have adjusted them in the financial statements.

There was one material adjustment to the Chief Constable's financial statements relating to the recognition of the IAS 19 Pensions Liability. The adjustment was made to show the liability in the Chief Constable's statements instead of the PCC's statements.

Management have agreed to make all identified adjustments to the Chief Constable's financial statements.

We have included further details of our financial statements audit findings, including details of the adjustments referred to above, in section 2 of this report.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable. The draft accounts were of a good standard and were supported by comprehensive working papers.

Value for money conclusion

Based on our review of the Chief Constable's arrangements to secure economy, efficiency and effectiveness in their use of resources, we expect to give an unqualified Value for money conclusion on the same date as our opinion on the financial statements.

We have set out further details of the findings and recommendations from the work supporting our Value for money conclusion in section 3 of this report.

Internal control

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 2012/13. Our work on 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 however 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.

We draw your attention in particular to six control issues identified in relation to the IT systems. We have provided further details of our findings in relation to internal controls in section 2 of this report.

The way forward

The findings and recommendations contained in this report have been discussed and agreed with the Chief Finance Officer and we have sought the views of the PCC and the Chief Constable as the two individuals charged with overall governance for the office of the PCC and the Constabulary respectively.

We have made six recommendations in this report and have summarised these in the action plan in Appendix A. As the PCC and Chief Constable share the same systems, the recommendations relate to both organisations.

Acknowledgment

We would like to thank finance staff and other officers in both the office of the PCC and the Chief Constable for their assistance over the course of this year's audits.

Grant Thornton UK LLP
19 September 2013

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

Audit of the financial statements

In this section of the report we present our findings in respect of our audit of the PCC's and Chief Constable's financial statements, including our conclusions in respect of the significant audit risks (see page 11) and other audit risks (see page 13) we reported to the PCC and the Chief Constable in our Audit Plan on 2 May 2013 and received by the joint Independent Audit Committee on 26 June 2013. We have summarised our audit findings against each entry in the financial statements in more detail at Appendix D.

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

Audit opinion

We expect to issue an unqualified opinion on both the PCC's financial statements, including the group accounting statements which consolidate the financial activities of the Chief Constable; and the Chief Constable's financial statements, including the police officer pension fund accounting statements, by 30 September 2013.

Accounting changes arising from the Police Reform and Social Responsibility Act 2012

This has been a challenging year for police finance teams who have needed to invest considerable time and effort preparing separate financial statements for the PCC and for the Chief Constable which reflect developing local governance and working arrangements and emerging accounting guidance. We recognise this has not been an easy task.

Chief Finance Officers in both the office of the PCC and the Constabulary have needed to work closely with one another, with their finance teams and with senior management across both organisations to understand the nature of developing governance and joint working arrangements and how these should be accounted for in accordance with relevant financial reporting standards. Overcoming these challenges to produce good quality financial statements on time has therefore been a particular achievement this year.

The key issue arising this year has been where to account for pension costs and liabilities. It was agreed that the draft accounts would be amended to show the pensions liability for police officers and police staff of £918,010,000 in the Chief Constable's balance sheet, and for all pensions income and expenditure items disclosed below the Net Cost of Services line to be shown in the Chief Constable's Comprehensive Income and Expenditure statement. The Chief Constable's draft financial statements already included the IAS 19 costs above the Net Cost of Services line. These changes did not alter the reported financial position for the PCC's Group.

Audit findings

Status of audit work

At the date of this report our audit testing is complete except for the following areas which we are currently finalising and expect to complete by 30 September 2013:

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events reviews, to the date of signing the opinions

If any significant matters arise from the remaining testing we will report these to the PCC and CC as Those Charged With Governance before finalising the audit.

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 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>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	PCC	<p>PCC audit</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams 	<p>PCC audit</p> <p>Our audit work has not identified any issues in respect of revenue recognition.</p> <p>Note as all revenue is recognised in the PCC's statements, this risk was not applicable to the Chief Constable.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management override of controls</p>	Both	<p>Both PCC and Chief Constable audits</p> <ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journals entries 	<p>Both PCC and Chief Constable audits</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 significant risks (continued)

	Risks identified in our audit plan	Relevant to? PCC/CC/Both	Work completed	Assurance gained and issues arising
3.	<p>Accounting for the Transition to Police and Crime Commissioners</p> <p>The financial statements need to account for the transfer of functions from abolished police authorities and reflect the new governance and accountabilities envisaged by the Act. The unusual circumstances and accounting judgements required increased the risk that material transactions would not be accounted for in the most appropriate set of financial statements.</p>	Both	<p>Both PCC and Chief Constable audits</p> <ul style="list-style-type: none"> Audited the Group accounts, which incorporated the PCC's accounts and the Chief Constable's accounts Audited the operating cost statement and supporting notes in the Chief Constable's accounts Audited the Police Officers Pension Fund Account Statements in the Chief Constable's account Reviewed the explanatory foreword and annual governance statements in both the Group accounts and the Chief Constable's accounts Specific review of allocation of expenditure transactions between the PCC and Chief Constable to ensure that the allocation was reasonable. 	<p>PCC and Chief Constable audits</p> <p>The Chief Constable's draft balance sheet did not contain any entries, as all assets and liabilities were considered to be the PCC's until the stage 2 transfer. There was a lack of guidance on this issue, but following discussion with the Chief Finance Officer it was agreed that the accounts would be amended to show the pensions liability for police officers and police staff of £918,010,000 in the Chief Constable's balance sheet, and for all pensions income and expenditure items to be shown in the Chief Constable's Comprehensive Income and Expenditure statement. The Chief Constable's draft financial statements already included IAS 19 income and expenditure items above the Net Cost of Services line, therefore the Pension Interest Cost and Expected Return on Assets of £36,892,000 and Actuarial Loss on Pensions of £104,517,000 were the only adjustments made to the Chief Constable's Comprehensive Income and Expenditure statement.</p> <p>The pensions liability in the Chief Constable's accounts was matched by a long term debtor balance from the PCC, as it has been reasonably argued that the PCC is obliged to make good future payments. The PCC recognised a matching creditor, which was netted off against the debtor on consolidation. The income and expenditure adjustments were matched by inter group funding adjustments, which are also removed on consolidation. As a result, the overall position set out in the group accounts was unchanged.</p> <p>We are satisfied that the accounts now reflect the substance of the employment situation i.e. that the Chief Constable is, in accounting terms, the employer of police officers and police staff.</p> <p>No other issues were identified from our review.</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
Operating expenses	PCC	Creditors understated or not recorded in the correct period	<p>PCC audit</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Searched for unrecorded creditors through after-date payments sample testing • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess the whether those controls are designed effectively • Substantive testing of operating expenses including a search for unrecorded creditors through after-date payments testing 	<p>PCC audit</p> <p>Our audit work has not identified any issues in respect of the creditors balance.</p>
Employee remuneration	Both	Employee remuneration accrual understated	<p>PCC and Chief Constable audits</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess the whether those controls are designed effectively • Substantive testing of employee remuneration including: <ul style="list-style-type: none"> • attribute testing – checking a sample of employees to contracts • agreeing senior manager remuneration disclosures to payroll reports 	<p>PCC and Chief Constable audits</p> <p>Our audits identified that the remuneration bandings disclosure for officers earning over £50,000 was incorrectly disclosed. This has been subsequently updated to disclose the correct number of transactions.</p> <p>It also identified that the Chief Finance Officer's remuneration was not disclosed. This has now been added to the financial statements.</p> <p>Some aspects of the old Chief constable's salary were incorrectly disclosed. This has now been amended.</p> <p>No other issues were identified.</p>

Audit findings against other risks (continued)

Transaction cycle	Relevant to? PCC/CC/Both	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment	PCC	PPE activity not valid	<p>PCC audit</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess the whether those controls are designed effectively • Substantive testing of PPE including: <ul style="list-style-type: none"> • Review of the planned Capital Programme to the outturn position • Sample testing of capital additions to supporting documentation • Review of investment properties against CIPFA Code recognition criteria • Testing of capital financing balances 	<p>PCC audit</p> <p>Our audit work has not identified any issues in respect of the validity of PPE activity.</p>
Property, plant & equipment	PCC	Revaluation measurement not correct	<p>PCC audit</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess the whether those controls are designed effectively • Substantive testing of PPE including: <ul style="list-style-type: none"> • Assessment of the external valuer • Testing of accounting entries to ensure that valuation movements have been accounted for correctly in line with the CIPFA Code of Practice on Local Authority Accounting 	<p>PCC audit</p> <p>Our audit work has not identified any issues in respect of the revaluation of PPE.</p>

Audit findings against other risks (continued)

Transaction cycle	Relevant to? PCC/CC/Both	Description of risk	Work completed	Assurance gained & issues arising
Police Officers' Pension Contributions Receivable	Chief Constable	Recorded contributions not correct	<p>Chief Constable audit</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively substantive testing including: <ul style="list-style-type: none"> analytical review of contributions ensuring that the correct contribution rates had been used. confirmation of the 'Top Up Grant' and associated debtor 	<p>Chief Constable audit</p> <p>Our audit work has not identified any issues in respect of the Police Officers' Pension Contributions balance.</p>
Police Officers' Pensions Membership Data	Chief Constable	Actuarial amounts not determined properly	<p>Chief Constable audit</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively substantive testing including: <ul style="list-style-type: none"> Assessment of the actuary, their report and the data provided to them Review of PWC's report on the actuary's assumptions 	<p>Chief Constable audit</p> <p>Our audit work has not identified any issues in respect of the Police Officers' Pensions Membership Data.</p>

Audit findings against other risks (continued)

Transaction cycle	Relevant to? PCC/CC/Both	Description of risk	Work completed	Assurance gained & issues arising
Police Officers' Pensions Membership Data	Chief Constable	Member data not correct	<p>Chief Constable audit</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively substantive testing including: <ul style="list-style-type: none"> Agree membership figures to data supplied by Wiltshire Pension Fund 	<p>Chief Constable audit</p> <p>Our audit work has not identified any issues in respect of the Police Officers' Pensions Membership Data.</p>
Police Officers' Pensions Membership Data	Chief Constable	Regulatory, legal and scheme rules/requirements not met	<p>Chief Constable audit</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively substantive testing including: <ul style="list-style-type: none"> confirming that transfers of funds have been made in accordance with the Scheme rules. 	<p>Chief Constable audit</p> <p>Our audit work has not identified any issues in respect of the Police Officers' Pensions Membership Data.</p>
Police Officers' Pensions Benefits Payable	Chief Constable	Benefits improperly computed/ Claims liability understated	<p>Chief Constable audit</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> Sample testing of new pension benefits coming into payment to ensure that they can be agreed to supporting documentation and have been calculated in line with scheme rules 	<p>Chief Constable audit</p> <p>Our audit work has not identified any issues in respect of the Police Officers' Pensions Benefits Payments.</p>

Audit findings against other risks (continued)

Transaction cycle	Relevant to? PCC/CC/Both	Description of risk	Work completed	Assurance gained & issues arising
Police Officers' Pensions Benefits Payable	Chief Constable	Benefits improperly computed/ Claims liability understated	<p>Chief Constable audit</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • Substantive testing including: <ul style="list-style-type: none"> • agreeing schedule of benefit payments to scheme accounting records • checking for unusual variations in the monthly/weekly payments • agreeing a sample of new pension payments to supporting documentation for the period of service and relevant pensionable salary. 	<p>Chief Constable audit</p> <p>Our audit work has not identified any issues in respect of the Police Officers' Pensions Benefits Payments.</p>

Accounting policies, estimates & judgements

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

Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
Revenue recognition	Both	<p>PCC and Chief Constable Audits The accounts are prepared on an accruals basis. Income is inclusive cash to be received in the future for benefits already provided.</p> <p>Where actual amounts due are not known at the end of April, estimated amounts have been included in the accounts.</p>	<p>PCC audit</p> <ul style="list-style-type: none"> The policy used is appropriate and in line with the accounting framework (CIPFA Code of Practice on Local Authority Accounting) The accounting policy is adequately disclosed. <p>Chief Constable audit</p> <ul style="list-style-type: none"> The Chief Constable has an accounting policy on revenue recognition, but the 2012/13 accounts do not disclose any income 	 Green
Cost recognition	Both	<p>PCC and Chief Constable audits The accounts are prepared on an accruals basis. Expenditure is inclusive of future obligations to pay cash for benefits already received .</p> <p>Where actual amounts due are not known at the end of April, estimated amounts have been included in the accounts.</p>	<p>PCC and Chief Constable audit</p> <ul style="list-style-type: none"> The policy used is appropriate and in line with the accounting framework (CIPFA Code of Practice on Local Authority Accounting) The accounting policy is adequately disclosed. 	 Green

Assessment

 **Red** - Marginal accounting policy which could potentially attract attention from regulators

 **Green** - Accounting policy appropriate and disclosures sufficient

 **Amber** – Accounting policy appropriate but scope for improved disclosure.

Accounting policies, estimates & judgements (continued)

Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
Judgements and estimates	Both	<p>PCC</p> <p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> – useful life of capital equipment (estimate) – revaluations (estimate) – impairments (estimate) – provisions (estimate) – going concern (judgment) <p>Chief Constable</p> <p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> – pension fund valuations and settlements (estimate) – going concern (judgment) 	<p>PCC audit</p> <ul style="list-style-type: none"> • The key estimates are appropriate to the PCC. • The accounting policies are adequately disclosed. • From the work undertaken the judgements and estimates made are reasonable. <p>Chief Constable audit</p> <ul style="list-style-type: none"> • The key estimate (provisions) is appropriate to the Chief Constable • The accounting policies are adequately disclosed. • From the work undertaken the judgements and estimates made are reasonable. 	 Green
Other accounting policies	Both	<p>PCC and Chief Constable</p> <ul style="list-style-type: none"> • We have reviewed the Police and Crime Commissioner's and the Chief Constable's policies against the requirements of the CIPFA Code and accounting standards. 	<p>PCC and Chief Constable audit</p> <ul style="list-style-type: none"> • Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	 Green

Assessment

● **Red** – Marginal accounting policy which could potentially attract attention from regulators
 ● **Green** – Accounting policy appropriate and disclosures sufficient

● **Amber** – Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements – Police and Crime Commissioner financial statements

Our audit identified two adjustments to the PCC's draft financial statements. We are required to report all non-trivial misstatements to the PCC, and whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit of the PCC's accounts which management has agreed to amend for.

The PCC is also required to prepare group accounts consolidating the activities of the PCC and Chief Constable entity financial statements. Adjustments to the group accounts are included here.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the key statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account	Balance Sheet	Impact on total net expenditure
<p>1 As noted on page 12, various changes were made to reflect the IAS 19 pension related costs and liabilities in the Chief Constable's accounts rather than the PCC's accounts.</p> <p>This resulted in the removal of the pension liability of £918,010,000 from the PCC's single entity Balance Sheet, which was replaced by a long term creditor of the same value payable to the Chief Constable. Revenue costs in relation to the pension interest cost & expected return on assets of £36,892,000 and the actuarial loss on pensions of £104,517,000 were removed from the PCC's single entity Comprehensive Income and Expenditure Account, and were replaced with funding transfers to the Chief Constable for the same values.</p> <p>As a result of the funding transfers, the financial position in the PCC's single entity financial statements was not changed as a result of the adjustments. The funding transfers are netted off each other on consolidation, and so the group position also remained the same.</p>	<p>Pension interest cost and expected return on assets -£36,892,000</p> <p>Intra-Group Funding for Pension interest cost and expected return on assets +£36,892,000</p> <p>Actuarial loss on pensions -£104,517,000</p> <p>Intra-Group funding for actuarial loss on pensions +£104,517,000</p>	<p>Long Term Creditor to fund pension liability + £918,010,000</p> <p>Removal of Pension liability - £918,010,000</p>	<p>£Nil</p>

Adjusted misstatements – Police and Crime Commissioner financial statements (continued)

	Detail	Comprehensive Income and Expenditure Account	Balance Sheet	Impact on total net expenditure
2	<p>Chippenham Police Station was shown as an Asset Held for Sale in the PCC's Balance Sheet.</p> <p>Review of the asset against the CIPFA Code of Practice on Local Authority Accounting identified that it did not meet the criteria of an asset held for sale as it was not being actively marketed at the Balance Sheet date.</p> <p>Management have agreed to show the asset within the PPE balance as a Surplus Asset, as the asset is now not being used to provide policing services due to it's state of repair. Management has a plan to sell the asset, and the sale is hoped to be completed within the next financial year.</p> <p>The adjustment did not alter the total assets shown in the PCC or Group Balance Sheet.</p>	N/A	<p>The revised figure for PPE £44.8m</p> <p>Revised Assets Held for Sale £0.39m</p>	N/A

Adjusted misstatements – Chief Constable financial statements

Our audit identified one adjustment to the Chief Constable's draft financial statements. We are required to report all non-trivial misstatements to the Chief Constable, and whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit of the Chief Constable's financial statements which management has agreed to amend for.

All identified adjustments have been made to the Chief Constable's financial statements.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the key statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account	Balance Sheet	Impact on total net expenditure
<p>1 As noted on pages 12 and 20, various changes were made to reflect the IAS 19 pension related costs and liabilities in the Chief Constable's accounts rather than the PCC's accounts.</p> <p>This resulted in the inclusion of the pension liability of £918,010,000 in the Chief Constable's Balance Sheet, which was matched by a long term debtor balance due from the PCC. Revenue costs in relation to the pension interest cost & expected return on assets of £36,892,000 and the actuarial loss on pensions of £104,517,000 were recognised in the Chief Constable's Comprehensive Income and Expenditure Statement. This additional expenditure was matched by inter-group funding transferred from the PCC to the Chief Constable.</p> <p>As a result of the Intra-Group PCC funding, the financial position in the Chief Constable's single entity financial statements was not changed as a result of the adjustments.</p>	<p>Pension interest cost and expected return on assets - £36,892,000</p> <p>Intra-Group Funding for Pension interest cost and expected return on assets + £36,892,000</p> <p>Actuarial loss on pensions - £104,517,000</p> <p>Intra-Group funding for actuarial loss on pensions + £104,517,000</p>	<p>Long Term Pension debtor from PCC + £918,010,000</p> <p>Pension Liability - £918,010,000</p>	<p>£Nil</p>

Disclosure changes – Police and Crime Commissioner financial statements

In the table below we set out details of misclassification and disclosure changes to the PCC's financial statements, including the group consolidation, we identified during the audit and which management have adjusted for.

Adjustment type	Account balance	Impact on the financial statements
1 Disclosure	Note 4 – Remuneration of Senior Staff	Our audit identified that the banding disclosure of senior staff earning over £50,000 had been incorrectly calculated, and that certain payments had been double counted in the original disclosure. This resulted in the total number of individuals disclosed falling from 163 in the draft financial statements to 146.
2 Disclosure	Note 4 – Remuneration of Senior Staff	The draft financial statements did not include the Chief Finance Officer's remuneration in the Senior Officer remunerations table.
3 Disclosure	Note 8 – PFI	The draft statements did not make reference to the fact that Wiltshire PCC had entered into an agreement with Avon and Somerset and Gloucestershire PCC's for the provision of a joint firearms training centre which would see them making significant contributions to the project, and recognising a share of the PFI asset over its life.
4 Disclosure	Various	Various referencing, punctuation and other disclosure adjustments were made to the draft financial statements. Their impact does not warrant separate reference in this report.

Disclosure changes – Chief Constable financial statements

In the table below we set out details of misclassification and disclosure changes to the Chief Constable's financial statements we identified during the audit and which management have adjusted for.

Adjustment type	Account balance	Impact on the financial statements
1 Disclosure	Note 4 – Remuneration of Senior Staff	Our audit identified that the banding disclosure of senior staff earning over £50,000 had been incorrectly calculated, and that certain payments had been double counted in the original disclosure. This resulted in the total number of individuals disclosed falling from 163 in the draft financial statements to 146.
2 Disclosure	Note 4 – Remuneration of Senior Staff	The draft financial statements did not include the Chief Finance Officer's remuneration in the Senior Officer remunerations table.
3 Disclosure	Note 7 – Audit Fees	The draft statements did not disclose the audit fee payable for the Chief Constable audit, but referred the reader to the PCC financial Statements. As a separate entity and therefore separate audit, the disclosure was amended to show the fee payable.
4 Disclosure	Various	Various referencing, punctuation and other disclosure adjustments were made to the draft financial statements. Their impact does not warrant separate reference in this report.

Unadjusted misstatements - Police and Crime Commissioner financial statements

In the table below we set out details of adjustments identified during the audit which management have not made in the final set of the PCC's financial statements. We have reported these to the PCC to consider and approve management's reasons for not adjusting before approving the financial statements. We are satisfied the overall impact of the errors below is not material to the financial statements in totality.

Detail	Comprehensive Income and Expenditure Account	Balance Sheet	Reason for not adjusting
<p>1 The PFI Finance Lease Liability in the PCC and Group Accounts of £19,976,000 is shown as a Long Term Liability. Per Note 8, £338,000 of this will be paid in 2013-14, therefore this element of the liability should be shown as a Current Liability in the Balance Sheet.</p> <p>This is a classification issue in the Balance Sheet, and would not adjust the PCC's Total Net Assets.</p>	N/A	<p>Short Term Finance Lease Liability + £338,000</p> <p>Long Term Finance Lease Liability - £338,000</p>	<p>The value is not material in relation to our audit, or to the total Finance Lease Liability. Management believe their disclosure makes more sense to the reader of the accounts.</p>
<p>2 The PCC received £1,203,000 of Council Tax Freeze Grant from DCLG in 2012-13. This is shown as a Specific Grant in the PCC and Group Comprehensive Income and Expenditure statements, and apportioned over the various headings that make up the Net Cost of Services.</p> <p>The Council Tax Freeze Grant is an un-ringfenced grant, and as such should be disclosed as a General Grant below the Net Cost of Services line.</p> <p>This is a classification issue in the Comprehensive Income and Expenditure Statements, and would not adjust the Total Comprehensive Income and Expenditure figures.</p>	<p>Gross Income - £1,203,000</p> <p>General Grants + £1,203,000</p>	N/A	<p>The value is not material, and as the adjustment would have no effect on the deficit or the Comprehensive Income and Expenditure account as a whole, it will be updated for next years accounts.</p> <p>The grant is shown currently across all service headings in the Net Cost of Services and is not attributed to a specific service.</p>

Internal controls

The purpose of an audit is to express an opinion on the financial statements. Our audit 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. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to the PCC and to the Chief Constable via you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Relevant to? PCC/CC/Both	Issue and risk	Recommendations
1.	 Amber	Both	IT - Security Patch Management The network staff stated that they did not follow a formal Patch Management Procedure, which should ensure that all relevant security patches are applied to the servers, desktops and laptops. Without patching the servers are vulnerable to identified security threats which can be exploited internally or externally and could affect the integrity, availability and confidentiality of the data and information held.	Management should ensure that relevant, up to date security patches are installed on all servers, desktops and laptops..
2.	 Amber	Both	IT - Audit Log Review There is no documented process to review audit log ins on the network servers on a periodic basis. There is a risk that unusual activity or security events taking place within the network and main finance application might not be detected in a timely manner in the absence of such a control.	Management should identify the more critical audit logs and review them on a periodic basis for any anomalies.

Assessment

 **Red** – Significant deficiency – risk of significant misstatement

 **Amber** -- Deficiency – risk of inconsequential misstatement

Internal controls (continued)

	Assessment	Relevant to? PCC/CC/Both	Issue and risk	Recommendations
3.	 Amber	Both	<p>IT - Backup Storage Data is backed up to tape on a daily basis and the tapes are stored on site.</p> <p>There is a risk that a disaster affecting the HQ could result in the total loss of key operational data. This is a single point of failure which could have a significant detrimental impact on business relationships and cause reputational damage in addition to the loss of critical records.</p>	We recommend that offsite backup arrangements are established by the IT department. These should include taking the backup tapes offsite on a daily basis.
4.	 Amber	Both	<p>IT - Domain administrator access The number of users with system administrative access is excessive for the size of the department.</p> <p>In our view, a maximum of 20 high level or Domain Administration accounts should normally be sufficient to manage most enterprises. In addition, MS Active Domain provides a number of supporting accounts that can be utilised to ensure appropriate access so that service can be provided by different levels of support staff.</p>	Management should consider whether there is a requirement for full Domain Administrative rights for this number of users and rights be revoked or reduced for those users that have minimal requirements or where their role does not support the level of access.
5.	 Amber	Both	<p>IT - Agresso system access A review of the administrator access to the Agresso Finance system identified that one of the system administrators is also the Senior Accountant who has responsibility for producing the financial statements. This results in a lack of segregation of duties within the Finance Team.</p> <p>The lack of segregation of duties between system administration and operational responsibilities increases the risk of unauthorised system activities within the finance system.</p>	<p>Management should consider the allocation of system administrator rights where members of the team have a financial reporting responsibility to ensure that it does not cause a conflict.</p> <p>If this is not practical then a process should be put in place to independently review audit logs regularly as a compensating control.</p>

Assessment

 **Red** – Significant deficiency – risk of significant misstatement

 **Amber** -- Deficiency – risk of inconsequential misstatement

Internal controls (continued)

	Assessment	Relevant to? PCC/CC/ Both	Issue and risk	Recommendations
6.	 Amber	Both	<p>IT - Removal of User Accounts The staff leaver process does not provide timely removal of users from the IT network or applications.</p> <p>There is a risk that accounts remain active and accessible to people who should no longer have access. This is a particularly high risk where the user has remote access and the equipment has not been returned.</p>	<p>Management should consider a more robust user process whereby all departments are notified of a staff member leaving prior to their departure, simultaneously so that systems and user privileges can be rescinded at the same time.</p> <p>Consideration should also be given to a follow up leavers list issued by HR so that systems can be monitored for adherence to the process.</p>

Assessment

● **Red** – Significant deficiency – risk of significant misstatement

● **Amber** -- Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to the PCC and to the Chief Constable before we conclude our audits.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with those charged with governance . We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the PCC and from the Chief Constable. In particular, representations will be requested from PCC management in respect of the reasons for not amending the financial statements for the items identified on page 25.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the PCC's and the Chief Constable's decisions to prepare the financial statements on a going concern basis.

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the PCC and the Chief Constable have each made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited bodies have put in place such arrangements. The result of this work is the Value for Money conclusion, which we give separately based on our assessment of each body's arrangements.

We have undertaken our audits in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission, we have considered the results of the following for both bodies:

- our review of the annual governance statements
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities
- our detailed risk assessment.

Overall Value for money 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 put in place proper arrangements to secure economy, efficiency and effectiveness in the Police and Crime Commissioner for Wiltshire's (the PCC's) use of resources for the year ending 31 March 2013.

Key VFM findings for the PCC

Review of the Annual Governance Statements

We reviewed the PCC's Annual Governance Statement to ensure that it was in line with our understanding of the PCC's governance arrangements and that it described the governance arrangements consistent with the elements suggested in the Delivering Good Governance in Local Government Framework. We are satisfied that this is the case.

Review of the work of other regulatory bodies or inspectorates

We reviewed HMIC's report *Response to the Funding Challenge* which presented a very positive picture of Wiltshire's achievements. Although the findings were particularly directed to the Chief Constable these also reflected well on the overall VFM of both the PCC and the Chief Constable.

Results of local risk based work

As part of our risk assessment we considered governance arrangements; local and national threats, service transformation and collaboration; financial management; assets and information management; and workforce management.

Many of these issues also relate directly to the Chief Constable, but for the Chief Constable to achieve its targets and deliver value for money it must, and it does, work very closely with the PCC.

The residual risks to our Value for money conclusion for the PCC are noted within the table overleaf.

Value for Money

Our work identified:

- a transition plan which appears to have operated successfully in most major respects
- generally appropriate governance arrangements
- no significant break down in internal controls during the transition phase
- a robust financial management and financial control environment.

We also identified that during the first few months of the transition some of the internal governance arrangements were less effective than had previously been the case .

This particularly applied to the effectiveness of the Audit Committee and its arrangements for commenting and reporting on matters within its remit. However the Audit Committee implemented new arrangements to address these shortfalls in June 2013 and we concluded that these deficiencies were not sufficient to prevent us from concluding that proper arrangements were maintained.

The active monitoring of risk management arrangements also lapsed during this period but is to be considered at the September 2013 Audit Committee.

Overall Value for money 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 put in place proper arrangements to secure economy, efficiency and effectiveness in the Chief Constable of Wiltshire Police 's (the CC) use of resources for the year ending 31 March 2013.

Key VFM findings for the Chief Constable

Review of the Annual Governance Statements

We reviewed the CC's Annual Governance Statement to ensure that it was in line with our understanding of the CC's governance arrangements and that it described the governance arrangements consistent with the elements suggested in the Delivering Good Governance in Local Government Framework. We are satisfied that this is the case.

Review of the work of other regulatory bodies or inspectorates

We reviewed HMIC's report *Response to the Funding Challenge* which presented a very positive picture of Wiltshire's achievements.

The report concluded that the force had developed and was delivering a savings plan which met the spending challenge and maintained effective policing. It has planned how it will save £16.4m of the £16.7m required by March 2015. There is a firm commitment to balance the delivery of savings with improvements in service delivery, especially at a local level. The force has reconfigured how it delivers services, changing local structures to better meet demand.

Value for Money

As part of our risk assessment we considered governance arrangements; local and national threats, service transformation and collaboration; financial management; assets and information management; and workforce management.

Our findings for the PCC apply equally to the Chief Constable, and we found that the Chief Constable has satisfactory arrangements in place in these areas except where we identified shortcomings as for the PCC in respect of the initial Audit Committee arrangements and risk management monitoring and reporting.

We identified that during the first few months of the transition some of the internal governance arrangements were less effective than had previously been the case.

This particularly applied to the effectiveness of the Audit Committee and its arrangements for commenting and reporting on matters within its remit. However the Audit Committee implemented new arrangements to address these shortfalls in June 2013 and we concluded that these deficiencies were not sufficient to prevent us from concluding that proper arrangements were maintained.

The active monitoring of risk management arrangements also lapsed during this period but is to be considered at the September 2013 Audit Committee.

The residual risks to our Value for money conclusion for the Chief Constable are noted within the table overleaf.

Our other key findings include those set out below.

Local and National Threats: The force has identified current and future risks and has plans in place to manage them accordingly. The new Wiltshire Police Plan sets out the policing approach over the next four years.

Service transformation: Forces deliver their response to the savings requirement through a change programme. Wiltshire Police has reduced police officers and police staff but plans a small increase in the number of PCSOs. The force plans to make 79% of its spending review savings from its pay budget.

Collaboration: The force has actively pursued collaborative opportunities at a local, regional and national level which has resulted in a number of policing services being delivered in collaboration with other forces or organisations. Examples include a regional force intelligence and organised crime group and special branch collaboration with Avon and Somerset Constabulary. The force is also jointly involved in a new firearms training facility with the Avon and Somerset and Gloucester forces. The PCC's manifesto clearly states an intention for closer collaboration between the police and local councils.

Financial management: The MTFP assumes a minimal use of reserve balances of £0.2m over the 2013/14 and 2014/15 financial years.. There is no history of reserves being used to balance budgets at year end, and surpluses in prior years have resulted in the Authority building healthy usable reserves of £23.6m at 31 March 2013.

Value for money risk assessment

To support our Value for money conclusions for the PCC and for the Chief Constable we completed a risk assessment against the value for money risk indicators specified by the Audit Commission. We have summarised the risks to our Value for money conclusion we identified and the work we have undertaken in response.

Residual Risk identified	Residual risk for? PCC/CC/Both	Assurances obtained	Conclusion on residual risk
Lack of clarity about the local implementation of the roles and responsibilities of, and the relationship between, the PCC and the chief constable.	Both	<p>During the period up to November 2012 the previous authority's governance processes were maintained.</p> <p>We held meetings with the new audit committee and the PCC and CC. We concluded that there was a lack of clarity to the arrangements about how the Audit Committee was effectively discharging its responsibilities during the November 2012 to March 2013 period.</p> <p>The Audit Committee met and approved revised terms of reference in June 2013 which improved both the definition of the Committee's responsibilities and the arrangements for public reporting.</p>	<p>PCC</p> <p>The Audit Committee met and approved revised terms of reference in June 2013 which improved both the definition of the Committee's responsibilities and the arrangements for public reporting. We have concluded that these revised arrangements address the shortcomings previously identified.</p> <p>CC</p> <p>The Audit Committee met and approved revised terms of reference in June 2013 which improved both the definition of the Committee's responsibilities and the arrangements for public reporting. We have concluded that these revised arrangements address the shortcomings previously identified.</p>
Risk management arrangements not adequately updated to reflect risks associated with the transition, or action not taken in response to relevant risks.	Both	<p>The former authority maintained strong risk management arrangements, which were last considered in June 2012.</p> <p>These are due to be reconsidered by the September 2013 Audit Committee.</p>	<p>The PCC and the CC are considering risk management arrangements at the September meeting of the Audit Committee.</p>

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 audits and confirm there were no fees for the provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Police and Crime Commissioner Audit	47,000	47,000
Chief Constable Audit	20,000	20,000
Total audit fees	67,000	67,000

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on each of the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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 the Police and Crime Commissioner and to the Chief Constable

International Standard on Auditing (ISA) 260, as well as other 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 audit, 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).

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 Council'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.

Our communication plan	Audit Plan	Audit Findings
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 report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan for the Police and Crime Commissioner and Chief Constable

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	It is recommended that Management ensure that relevant, up to date security patches are installed on all servers, desktops and laptops where applicable, as soon as possible, especially those identified as critical.	Medium		
2.	Management should identify the more critical audit logs and review them on a periodic basis for any anomalies.	Medium		
3.	We recommend that offsite backup arrangements are established by the IT department. These should include taking the backup tapes offsite on a daily basis.	Medium		
4.	Management should consider whether there is a requirement for full Domain Administrative rights for this number of users and rights be revoked or reduced for those users that have minimal requirements or where their role does not support the level of access.	Medium		

Appendix A: Action plan for the Police and Crime Commissioner and Chief Constable (continued)

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
5.	<p>Management should consider the allocation of system administrator rights where members of the team have a financial reporting responsibility to ensure that it does not cause a conflict.</p> <p>If this is not practical then a process should be put in place to independently review audit logs regularly as a compensating control.</p>	Medium		
6.	<p>Management should consider a more robust user process whereby all departments are notified of a staff member leaving prior to their departure, simultaneously so that systems and user privileges can be rescinded at the same time. Consideration should also be given to a follow up leavers list issued by HR so that systems can be monitored for adherence to the process.</p>	Medium		

Appendix B: Audit of the PCC – draft auditor's report

We expect to issue an unqualified opinion on the PCC's financial statements and an unqualified Value for money conclusion on the PCC's arrangements for securing economy, efficiency and effectiveness in the Office of the Police and Crime Commissioner for Wiltshire's use of resources. We include our draft audit report for your consideration below.

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR WILTSHIRE

Opinion on the financial statements

We have audited the financial statements for the Police and Crime Commissioner for Wiltshire for the year ended 31 March 2013 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 also include the Police Pension Fund financial statements comprising of the Fund Account and the Net Assets Statement. 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 2012/13.

This report is made solely to the Police and Crime Commissioner Wiltshire in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance 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, 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 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 Finance 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. 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 Wiltshire as at 31 March 2013 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 2013 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 2012/13.

Opinion on other matters

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

Appendix B: Audit of the PCC – draft auditor's report (continued)

Matters on which we report by exception

We 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- 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.

Other matters on which we are required to conclude

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 their use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the Police and Crime Commissioner has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in November 2012, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our detailed risk assessment.

As a result, we have concluded that there are no matters to report.

Certificate

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

Simon Garlick
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Suite 4
Stowey House
Bridport Road
Poundbury
Dorchester
DT1 3SB

xx September 2013

Appendix C: Audit of the Chief Constable – draft auditor's report

We expect to issue an unqualified opinion on the Chief Constable's financial statements and an unqualified Value for money conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in the [INSERT NAME OF SERVICE/ FORCE'S] use of resources. We include our draft audit report for your consideration below.

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR WILTSHIRE

Opinion on the financial statements

We have audited the financial statements of the Chief Constable for Wiltshire for the year ended 31 March 2013 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 Police Pension Fund financial statements comprising the Fund Account and the Net Assets Statement. 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 2012/13.

This report is made solely to the Chief Constable for Wiltshire in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance 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, 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 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 Finance 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. 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 Wiltshire at 31 March 2013 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 2012/13.

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.

Appendix C: Audit of the Chief Constable – draft auditor's report (continued)

Matters on which we report by exception

We 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any 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.

Other matters on which we are required to conclude

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 their use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the Chief Constable has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in November 2012, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our detailed risk assessment.

As a result, we have concluded that there are no matters to report.

Certificate

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

Simon Garlick
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Suite 4
Stowey House
Bridport Road
Poundbury
Dorchester
DT1 3SB

xx September 2013

Appendix D: Overview of audit findings

In this section we present our findings in respect of the matters and risks to our audits of the PCC's and of the Chief Constable's financial statements we identified at the planning stage of the audit and any additional matters that arose subsequently during the course of the audit.

Account	Relevant to? PCC/CC/Both	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Both	Operating expenses	None	Material balance so testing required but no specific risk identified.	No	PCC and Chief Constable audits Audit testing confirmed operating expenses are fairly stated.
Cost of services – employee remuneration	Both	Employee remuneration	Other	Employee remuneration accrual understated.	No	PCC and Chief Constable audits Audit testing confirmed employee remuneration is fairly stated.
Cost of services – other revenues (fees & charges)	PCC	Other revenues	None	Material balance so testing required but no specific risk identified.	No	PCC audit Audit testing confirmed other revenues are fairly stated.
(Gains)/ Loss on disposal of non current assets	PCC	Property, Plant and Equipment	None	Immaterial balance.	No	PCC audit The value of gains/ losses on disposal of non-current assets is below a level we deem material so only limited audit testing was carried out. No errors noted.
Interest payable and similar charges	PCC	Borrowings	None	Immaterial balance.	No	PCC audit The value of interest payable is below a level we deem material so only limited audit testing was carried out. No errors noted.

Account	Relevant to? PCC/CC/Both	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Pension Interest cost	Both	Employee remuneration	None	Material balance so testing required but no specific risk identified.	No	PCC and Chief Constable audits Following discussions with the Chief Finance Officer the Pension Interest Cost was shown in the Chief Constable's financial statements, with a transfer of funding from the PCC. The draft statements did not include this cost in the Chief Constable's financial statements – see page 12.
Interest & investment income	PCC	Investments	None	Immaterial balance.	No	PCC audit The value of interest and investment income is below a level we deem material so only limited audit testing was carried out. No errors noted.
Return on Pension assets	Both	Employee remuneration	None	Material balance so testing required but no specific risk identified.	No	PCC and Chief Constable audits Following discussions with the Chief Finance Officer the Return on Pension Assets was shown in the Chief Constable's financial statements, with a transfer of funding from the PCC. The draft statements did not include this return in the Chief Constable's financial statements – see page 12.
Investment properties: Income expenditure & valuation changes	PCC	Property, Plant & Equipment	None	Immaterial balance.	No	PCC audit The value of investment properties is below a level we deem material so only limited audit testing was carried out. No errors noted.
Income from council tax	PCC	Council Tax	None	Material balance so testing required but no specific risk identified.	No	PCC audit Audit testing confirmed income from council tax to be fairly stated.
NNDR Distribution	PCC	NNDR	None	Material balance so testing required but no specific risk identified.	No	PCC audit Audit testing confirmed income from NNDR redistribution to be fairly stated.

Account	Relevant to? PCC/CC/Both	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
PFI revenue support grant and other Government grants	PCC	Grant Income	None	Material balance so testing required but no specific risk identified.	No	PCC audit Audit testing identified that the Council Tax Freeze Grant of £1,203,000 was incorrectly shown as a specific grant – see page 25.
Capital grants & Contributions (including those received in advance)	PCC	Property, Plant & Equipment	None	Immaterial balance.	No	PCC audit The value of capital grants is below a level we deem material so only limited audit testing was carried out. No errors noted.
(Surplus)/ Deficit on revaluation of non current assets	PCC	Property, Plant & Equipment	None	Material balance so testing required but no specific risk identified.	No	PCC audit Audit testing confirmed the surplus on revaluation of non current assets to be fairly stated.
Actuarial (gains)/ Losses on pension fund assets & liabilities	Both	Employee remuneration	None	Material balance so testing required but no specific risk identified.	No	PCC and Chief Constable audits Following discussions with the Chief Finance Officer the Return on Pension Assets was shown in the Chief Constable's financial statements, with a transfer of funding from the PCC. The draft statements did not include this return in the Chief Constable's financial statements – see page 12.
Property, Plant & Equipment	PCC	Property, Plant & Equipment	Other	PPE activity not valid.	No	PCC audit Audit testing confirmed PPE activity is fairly stated.
Property, Plant & Equipment	PCC	Property, Plant & Equipment	Other	Revaluation measurements not correct.	No	PCC audit Audit testing confirmed PPE revaluation measurements are fairly stated.
Debtors (long & short term)	PCC	Revenue	None	Material balance so testing required but no specific risk identified.	No	PCC audit Audit testing confirmed debtors are fairly stated.
Assets held for sale	PCC	Property, Plant & Equipment	None	Material balance so testing required but no specific risk identified.	No	PCC audit Our audit identified one asset held for sale that did not meet the criteria to be Held for Sale. This was transferred to Surplus Assets within the PPE balance – see page 21.

Account	Relevant to? PCC/CC/Both	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Inventories	PCC	Inventories	None	Immaterial balance.	No	PCC audit The value of inventories is below a level we deem material so only limited audit testing was carried out. No errors noted.
Borrowing (long & short term)	PCC	Debt	None	Material balance so testing required but no specific risk identified.	No	PCC audit Our audit identified that the Finance Lease Liability is not split between the short and long term elements. It is all shown as long term – see page 25.
Creditors (long & Short term)	PCC	Operating Expenses	Other	Creditors understated or not recorded in the correct period.	No	PCC audit Audit testing confirmed creditors are fairly stated.
Provisions (long & short term)	PCC	Provision	None	Immaterial balance.	No	PCC audit The value of provisions is below a level we deem material so only limited audit testing was carried out. No errors noted.
Pension liability	Both	Employee remuneration	None	Material balance so testing required but no specific risk identified.	No	PCC and Chief Constable audits Following discussions with the Chief Finance Officer the Pension Liability was shown in the Chief Constable's financial statements, with a long term debtor receivable from the PCC to fund it. The draft statements did not include the liability and associated debtor in the Chief Constable's financial statements, or the associated creditor in the PCC's financial statements – see page 12.
Reserves	PCC	Equity	None	Material balance so testing required but no specific risk identified.	No	PCC audit Audit testing confirmed reserves balances to be fairly stated.

Account	Relevant to? PCC/CC/Both	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Police Officer Pension Fund contributions receivable	Chief Constable	Pension Scheme Contributions	Other	Recorded contributions not correct.	No	Chief Constable audit Audit testing confirmed Police Officer Pension Fund contributions receivable to be fairly stated.
Police Officer Pension Fund contributions receivable/benefits payable	Chief Constable	Pension Membership Data	Other	Actuarial amounts not determined properly.	No	Chief Constable audit Audit testing confirmed actuarial amounts to be determined properly.
Police Officer Pension Fund contributions receivable/benefits payable	Chief Constable	Pension Membership Data	Other	Member data not correct.	No	Chief Constable audit Audit testing confirmed membership data to be fairly stated.
Police Officer Pension Fund contributions receivable/ benefits payable	Chief Constable	Pension Membership Data	Other	Regulatory, legal and scheme rules/ requirements not met.	No	Chief Constable audit Audit testing confirmed regulatory, legal and scheme rules & requirements had been met.
Police Officers Pension Fund benefits payable	Chief Constable	Pension Scheme Benefits Payments	Other	Benefits improperly computed/ Claims liability understated.	No	Chief Constable audit Audit testing confirmed Police Officers Pension Fund benefits payable to be fairly stated.



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