

Thames Valley Police - Office of the Police and Crime Commissioner and Chief Constable

Annual Audit Letter for the year ended 31 March 2015

September 2015

Ernst & Young LLP



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working world



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14 September 2015

Dear Anthony and Francis

Annual Audit Letter 2014/15

The purpose of this annual audit letter is to communicate to the Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of Thames Valley Police

We have already reported the detailed findings from our audit work in our 2014/15 annual results report to the 19th August 2015 Joint Audit Committee. That meeting was also attended by the Police and Crime Commissioner and the Chief Constable of Thames Valley Police as those charged with governance. We do not repeat those detailed findings in this letter.

The matters reported here are the most significant for Thames Valley Police.

We would like to take this opportunity to thank the Office of the Police and Crime Commissioner for Thames Valley Police and the Chief Constable's staff for their assistance during the course of our work.

Yours faithfully

Maria Grindley
Executive Director
For and on behalf of Ernst & Young LLP
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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2015 and is conducted in accordance with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Thames Valley Police is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS the Authority reports publically on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements and on the consistency of other information published with them;
- reviewing and reporting by exception on Thames Valley Police’s Annual Governance Statement;
- forming a conclusion on the arrangements Thames Valley Police has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statements of Thames Valley Police for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland).	On 19 th August 2015 we issued an unqualified audit opinion in respect of Thames Valley Police.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 19 th August 2015 we issued an unqualified value for money conclusion.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We have been unable to issue the audit certificate due to the delay in being able to submit the Whole of Government Accounts work. The Department of Communities and Local Government requested that we delay submission until the end of September 2015 to enable mismatches to be minimised.
Consider the completeness of disclosures on the Authority’s Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA/ SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.

As a result of the above we have also:

Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Our Audit results report was issued on 19th August 2015 to the committee and Those Charged with Governance.

We have been unable to issue the full audit certificate due to the delay in being able to submit the Whole of Government Accounts work. The Department of Communities and Local Government requested that we delay submission until the end of September 2015 to enable mismatches to be minimised. The full certificate will be issued upon submission of the Whole of Government Accounts.

2. Key findings

2.1 Financial statement audit

Thames Valley Police's Statement of Accounts is an important tool for Thames Valley Police to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited Thames Valley Police's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 19th August 2015.

Our detailed findings were reported to the 19th August 2015 Joint Audit Committee.

The main issues identified as part of our audit were:

Significant risk 1: Stage 2 Transfer of Short Life Assets:

From the work completed assurance was gained that the transfer of short-life assets from the PCC to the CC was complete and was supported by appropriate governance arrangements.

No issues were noted.

Significant risk 2: Accounting for Collaboration:

We gained assurance from our understanding of the collaborative arrangements in effect at TVP that there was no need for TVP to prepare memoranda accounts on behalf of their collaborative partners and that their accounting treatment was consistent with the relevant accounting standards of IFRS 10, 11 and 12 where applicable.

Significant risk 3: Revenue and Expenditure Recognition:

From the work completed on revenue and expenditure no issues were identified in respect of Revenue and Expenditure Recognition.

Significant risk 4: Management Override:

From the work completed on journals, accounting estimates and unusual transactions no issues were identified in respect of Management Override.

2.2 Value for money conclusion

We carry out sufficient and relevant work to conclude whether Thames Valley Police has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014-15 value for money conclusion was based on two criteria. We consider whether Thames Valley Police had proper arrangements in place for:

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

We identified one significant risk in relation to Value for Money specifically in respect of Financial Resilience:

VFM Significant risk 1: Continued Delivery of a Sustainable Medium Term Financial Plan

We noted the following in relation to Financial Resilience:

There is a current budget gap of approx. £46m over the next three years. Of the £46m approx. £24m relates to efficiency savings which are delivering and therefore the gap for 2015/16 has been closed. A further £22m relates to savings and efficiencies being finalised. This £22m budget gap consists of pressures of £12m and £10m in 2016/17 and 2017/18 respectively;

We have considered this position against the current level of Usable Reserves and Balances at the disposal of Thames Valley Police. As at 31 March 2015 this was approx. £51m. The Police and Crime Commissioner also had Short-term Investments of approx. £50m as at 31 March 2015;

We acknowledge that Thames Valley Police has a culture of delivery against saving plans and note the current financial planning and budgeting review which is ongoing to identify the savings needed to close the £22 m budget gap; and

HMIC acknowledged in a recent assessment that the Force had risen to the funding challenge extremely well and that it's planning for the future is 'Outstanding'.

We issued an unqualified value for money conclusion on 19th August 2015.

2.3 Whole of Government Accounts

We have concluded the work on the WGA return but were asked by the Department for Communities and Local Government not to submit the return until late September 2015 as they want to minimise mis-matches between audited bodies. We did not identify any significant issues from the work completed.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in Thames Valley Police's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern

2.5 Objections received

We did not receive any objections to the 2014/15 financial statements from members of the Public.

2.6 Other powers and duties

We identified no issues during our audit that required using powers under the Audit Commission Act 1998, including reporting in the public interest.

3. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
Testing of journals identified that supporting documentation was not always attached to the journal and there were cases without an adequate explanation of the purpose of the journal;	Journals should always contain adequate supporting documentation and narrative. This has been acknowledged by management and staff have been reminded of this.
Electronic journals are prepared and sent to systems support who upload the journal and it is then sent back to the originator for approval. In effect the same person is preparing and approving the journal.	The same person should not be able to prepare and approve journals. This has been acknowledged by management and arrangements put in place to correct this.

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