

Thames Valley Police – Police and Crime Commissioner and Chief Constable

Year ending 31 March 2013

Annual Audit Letter

30 October 2013



EY

Building a better
working world

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Thames Valley Police and Crime Commissioner
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30 October 2013

Sara Thornton
Chief Constable
Thames Valley Police
Police Headquarters
Kidlington,
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OX5 2NX

Dear Anthony and Sara

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to those charged with governance (the Police and Crime Commissioner and the Chief Constable) and the Joint Independent Audit Committee of Thames Valley Police and its external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance in our 2012-13 Audit Results Report for Thames Valley Police – Police Crime Commissioner and Chief Constable.

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

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

Yours sincerely



Mick West
Director
For and behalf of Ernst & Young LLP
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Contents

1. Executive summary	1
2. Key findings.....	3
3. Control themes and observations.....	4
4. Challenges for the coming year	5

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Finance Officer of the Police and Crime Commissioner and the Director of Finance of the Chief Constable 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 Police and Crime Commissioner and the Chief Constable, 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 2012-13 audit work was undertaken in accordance with the Audit Plan we issued on 25 June 2013 and was 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.

The Police and Crime Commissioner and Chief Constable for Thames Valley Police are responsible for preparing and publishing their Statements of Accounts, accompanied by their Annual Governance Statements. In the Annual Governance Statements, the Police and Crime Commissioner and Chief Constable report publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Police and Crime Commissioner and Chief Constable are also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

As auditors we are responsible for:

- ▶ Forming an opinion on the financial statements for the Police and Crime Commissioner and the Chief Constable
- ▶ Reviewing the Annual Governance Statements
- ▶ Forming a conclusion on the arrangements that the Police and Crime Commissioner and the Chief Constable have in place to secure economy, efficiency and effectiveness in their use of resources
- ▶ Undertaking any other work specified by the Audit Commission

Summarised below are the conclusions from all elements of our work:

Audit requirement	Outcome
Audit the financial statements of the Police and Crime Commissioner and the Chief Constable for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland).	On 30 September 2013 we issued unqualified audit opinions in respect of the financial statements.
Form a conclusion on the arrangements that the Police and Crime Commissioner and the Chief Constable have made for securing the economy, efficiency and effectiveness in their use of resources.	On 30 September 2013 we issued an unqualified value for money conclusions.
Issue a report to those charged with governance, the Police and Crime Commissioner and the Chief Constable, and the Joint Independent Audit Committee communicating significant findings resulting from our audit.	On 5 September we issued our report to the Police and Crime Commissioner and the Chief Constable and reported our findings to the 17 September 2013 Joint Independent Audit Committee.
Audit requirement	Outcome
Report to the National Audit Office on the accuracy of the consolidation pack that the Police and Crime Commissioner and the Chief	We reported our findings to the National Audit Office on 30 September 2013. No issues to report.

Constable are required to prepare for the Whole of Government Accounts.

Consider the completeness of disclosures in the Annual Governance Statements for the Police and Crime Commissioner and the Chief Constable, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA 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 1998.	No issues to report.
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.	On 30 September 2013 we issued our audit completion certificate.

2. Key findings

2.1 Financial statement audit

We audited the Police and Crime Commissioner (PCC) and the Chief Constable (CC) for Thames Valley Police's Statements 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. We issued an unqualified auditor's report on both sets of financial statements on 30 September 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

When we planned our audit of the financial statements we identified one significant risk: the PCC and CC had to prepare accounts for the first time as newly formed public bodies; and the PCC had to prepare group accounts. We found that:

- ▶ The financial statements prepared by the PCC and CC, complied with the proper practices contained in the IFRS-based CIPFA Code of Practice on Local Group Accounting.
- ▶ Assets, liabilities, income and expenditure were correctly recognised in the PCC's financial statements, as parent of the Group.

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Police and Crime Commissioner and the Chief Constable have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

Our 2012-13 work focussed on the management of the transition of functions from the Police Authority to the PCC and CC as new bodies on 22 November 2012. In our review of the transition risk we also considered the value for money criteria the Audit Commission had specified for councils and fire authorities:

- ▶ Whether the PCC and CC had proper arrangements in place for securing financial resilience
- ▶ Whether the PCC and CC had proper arrangements for challenging how it secures economy, efficiency and effectiveness

We issued an unqualified value for money conclusions for the PCC and CC on 30 September 2013. Our audit did not identify any significant matters.

2.3 Whole of Government Accounts

We reported to the National Audit Office, on 30 September 2013, the results of our work performed in relation the accuracy of the consolidation pack that the Police and Crime Commissioner and the Chief Constable are required to prepare for the Whole of Government Accounts. We did not identify any areas of concern.

2.5 Annual Governance Statements

We are required to consider the completeness of disclosures in the Police and Crime Commissioner's and the Chief Constable's Authority's Annual Governance Statements, identify any inconsistencies with the other information of which we are aware from our work, and consider whether they comply with CIPFA guidance. We completed this work and did not identify any areas of concern.

3. Control themes and observations

As part of our audit of the financial statements, 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 communicated to those charged with governance, as required, any significant deficiencies in internal control.

We had no matters to report.

4. Challenges for the coming year

Whilst the Police and Crime Commissioner and the Chief Constable have performed well in 2012-13, they recognise that the significant challenges they faced during 2012-13 continue into 2013-14. The key challenges for the coming year include:

Key challenges

Challenge	Response required by the PCC and the CC
Continuing delivery of a robust medium term financial plans	
<p>The significant financial management challenges for police over the coming years continue to be:</p> <ul style="list-style-type: none"> ▶ Managing the implications of the current economic climate ▶ Significant reductions in the level of future central government funding ▶ The outcome of the Winsor pay reform review 	<ul style="list-style-type: none"> ▶ Continued delivery of significant savings required to meet medium term financial plans ▶ Further improvement in efficiency and productivity to reduce costs ▶ Future funding agreements to be built into longer term financial planning, as far as possible
Good arrangements for securing economy, efficiency and effectiveness	
<p>The PCC and the CC are addressing the significant strategic, financial and operational challenges facing them both now and in the medium term. They face a huge challenge in meeting the expectations for a more visible and responsive policing service with reduced resources.</p>	<ul style="list-style-type: none"> ▶ Continuing the drive to improve productivity and achieving value for money for both the PCC and CC. ▶ Considering alternative and innovative approaches to delivering services to achieve efficiencies whilst keeping services at a level that will satisfy local people.
Effective stage two governance and accounting arrangements	
<p>An effective stage two transition, required by the Police Reform and Social Responsibility Act 2011, with appropriate transfer of responsibility for staff, assets and liabilities from the PCC to the CC depending on local agreement.</p>	<ul style="list-style-type: none"> ▶ Implementation of proper accounting treatment and effective governance for the new local arrangements. ▶ Clarity of strategic and operational roles between the PCC and the CC.
<p>We will be following up the PCC's and CC's response to the above challenges as part of our 2013-14 audit.</p>	

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