KPMG

cutting through complexity

External Audit Plan 2014/15

Police and Crime Commissioner for Nottinghamshire

Nottinghamshire Chief Constable

February 2015

Contents

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This report is addressed to the Police and Crime Commissioner for Nottinghamshire and Chief Constable for Nottinghamshire (PCC and CC) and has been prepared for the sole use of the PCC and CC. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.audit-commission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Cardoza, the **appointed engagement lead to the PCC and CC audits, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 1st Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.**

Introduction

This document describes how we will deliver our audit work for the Police and Crime Commissioner for Nottinghamshire and the Chief Constable for Nottinghamshire

Scope of this report

This document supplements our *Audit Fee Letter 2014/15* presented to you in April 2014. It describes how we will deliver our financial statements audit work for both the Police and Crime Commissioner for Nottinghamshire and the Chief Constable for Nottinghamshire ('the PCC and CC'). It also sets out our approach to Value for Money (VFM) work for 2014/15.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.

The Audit Commission will close at 31 March 2015. However our audit responsibilities under the *Audit Commission Act 1998* and the *Code of Audit Practice* in respect of the 2014/15 financial year remain unchanged.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to audit/review and report on your:

- *financial statements (including the Annual Governance Statement):* providing an opinion on your accounts; and
- *use of resources:* concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the Value for Money conclusions).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the PCC and CC.

Scope of this report (continued)

The Audit Commission will cease to exist on 31 March 2015. Details of the new arrangements are set out in Appendix 4. The PCC and CC can expect further communication from the Audit Commission and its successor bodies as the new arrangements are established. This plan restricts itself to reference to the existing arrangements.

Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, including any key risks identified this year for the financial statements audit and Value for Money arrangements conclusions.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 provides further detail on the financial statements audit risks.
- Section 5 explains our approach to VFM arrangements work and sets out our initial risk assessment for the VFM conclusion.
- Section 6 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

We would like to take this opportunity to thank officers and the Joint Audit and Scrutiny Panel for their continuing help and co-operation throughout our audit work.

Headlines

Audit approach	Our overall audit approach remains similar to last year with no fundamental changes . Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with the Chief Finance Officer and the Head of Finance and Business. Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.
Key financial statements audit risks	We have completed our initial risk assessments for the financial statements audits and have identified the following significant risks: ■ Stage 2 Transfer – we will ensure that the transfer arrangements have been appropriately applied to the PCC and CC accounts. We will ensure that the appropriate staff and assets have been accounted for within the PCC and CC accounts. ■ A19 Tribunal - we will review the impact of the ruling and resultant accounting entries such as provisions and affordability. These risks are described in more detail on pages 10-12. We will assess the PCC and CC's progress in addressing these risk areas as part of our interim work and conclude this work at year end.
VFM audit approach	We have completed our initial risk assessments for the VFM conclusions and have identified 2 significant risks at this stage. ■ A19 Tribunal – we will review the impact of the ruling and the affordability of the outcome on the financial resilience element of the VFM conclusion. ■ Achieving Ongoing Savings – we will continue to review achievement of savings plans to support our VFM work and monitor reports produced by HMIC to inform this. These are described in more detail on pages 17-18. We will assess these risk areas as part of our interim work and conclude this work at year end.
Audit team, deliverables, timeline and fees	We have refreshed our audit team this year. Andy Cardoza joins the team as Director while Simon Lacey joins as Audit Manager. Anita Pipes remains in position as the Assistant Manager. Both new members of the team bring prior experience and knowledge of auditing other Police Forces. Our main year end audit is currently planned to commence in July. Upon conclusion of our work we will again present our findings to you in our *Report to Those Charged with Governance (ISA 260 Report)*. The planned fees for the 2014/15 audit are £46,960 (PCC) and £20,000 (CC) respectively. This is unchanged from the position set out in our *Audit Fee Letter 2014/15* and remains unchanged from the 2013/14 audit fee.

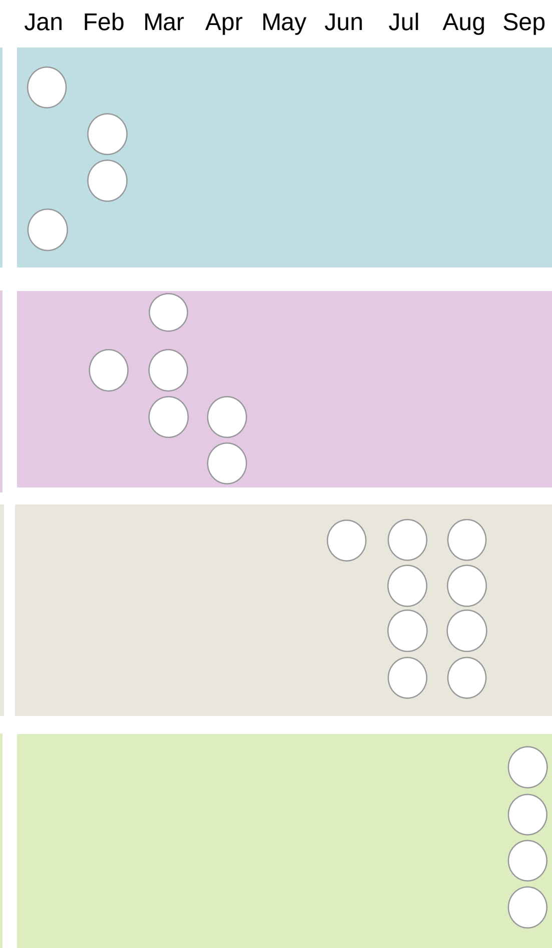
Our audit approach

We undertake our work on your financial statements in four key stages during 2015:

- **Planning (January to February).**
- **Control Evaluation (February to April).**
- **Substantive Procedures (July to August).**
- **Completion (September).**

We have summarised the four key stages of our financial statements audit process for you below:

1	Planning	Update our business understanding and risk assessment. Assess the organisational control environment. Determine our audit strategy and plan the audit approach. Issue our *Accounts Audit Protocol*.
2	Control evaluation	Evaluate and test selected controls over key financial systems. Review the work undertaken by the internal audit on controls relevant to our risk assessment. Review the accounts production process. Review progress on critical accounting matters.
3	Substantive procedures	Plan and perform substantive audit procedures. Conclude on critical accounting matters. Identify audit adjustments. Review the Annual Governance Statement.
4	Completion	Declare our independence and objectivity. Obtain management representations. Report matters of governance interest. Form our audit opinion.



Our audit approach – planning (cont'd…)

During January and February 2015 we complete our planning work.

We assess the key risks affecting the PCC and CC's financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes that would impact on our audit.

We determine our audit strategy and approach, and agree a protocol for the accounts audit, specifying what evidence we expect the PCC and CC to support the financial statements.

Our planning work takes place in January and February 2015. This involves the following aspects:

Planning

- Update our business understanding and risk assessment including fraud risk.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

Business understanding and risk assessment

We update our understanding of the PCC and CC's operations and identify any areas that will require particular attention during our audit of the PCC and CC's financial statements.

We identify the key risks including risk of fraud affecting the PCC and CC's financial statements. These are based on our knowledge of the PCC and CC, our sector experience and our ongoing dialogue with PCC and CC staff. Any risks identified to date through our risk assessment process are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the PCC and CC's responsibility to adequately address these issues. We encourage the PCC and CC to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with finance officers on a regular basis to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit.

In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the relevant work of your internal auditors also informs our risk assessment.

Audit strategy and approach to materiality

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities. We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of professional judgement and is set by the Engagement Lead.

In accordance with ISA 320 (UK&I) '*Audit materiality*', we plan and perform our audit to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. Information is considered material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

Further details on assessment of materiality is set out on page 6 of this document.

Our audit approach – planning (cont'd…)

We will issue our *Accounts audit protocol* following completion of our planning work. We issued the draft version in January 2015.

Accounts audit protocol

At the end of our planning work we will issue our *Accounts Audit Protocol*. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the PCC and CC to provide during our interim and final accounts visits. The draft Prepared by Client list (PBC) was issued in January 2015.

In December 2014 we met with the Senior Financial Accountant to discuss mutual learning points from the 2013/14 audit. These have been incorporated into our work plan for 2014/15. We revisit progress against areas identified for development as the audit progresses.

Our audit approach – control evaluation

During March 2015 we will complete our interim audit work.

We will assess if controls over key financial systems were effective during 2014/15. We work with your Internal Audit team to avoid duplication.

We work with your finance team to enhance the efficiency of the accounts audit.

We will report any significant findings arising from our work to the Joint Audit and Scrutiny Panel

Our on site interim visit will be completed during March 2015. During this time we will complete work in the following areas:

Control Evaluation

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
- Review the accounts production process.
- Review progress on critical accounting matters.

Controls over key financial systems

We update our understanding of the PCC and CC's key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Review of internal audit.

Where our audit approach is to undertake controls work on financial systems, we seek to review any relevant work internal audit have completed to minimise unnecessary duplication of work. This will inform our overall risk assessment process. Our audit fee is set on the assumption that we can place reliance on their work.

Accounts production process

We raised one recommendation in our *ISA 260 Report 2013/14* relating to the accounts production process. This related to:

- The quality and availability of working papers: To date we have met with the Senior Financial Accountant to discuss prior year issues and to ensure there is clearer communication and understanding of what we require from you this year.

We will assess the PCC and CC's progress in addressing our recommendation and in preparing for the closedown and accounts preparation.

Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

If there are any significant findings arising from our interim work we will present these to the Joint Audit and Scrutiny Panel.

Our audit approach – substantive procedures

During July 2015 we will be on site for our substantive work.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statements for consistency with our understanding.

We will present our joint *ISA 260 Report* to the Joint Audit and Scrutiny Panel in September 2015.

Our final accounts visit on site has been scheduled for a 3 week period in July 2015. During this time, we will complete the following work:

Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

Financial Statements

We will provide an opinion on the following financial statements:

- The Chief Constable's single entity accounts; and
- The Police and Crime Commissioner's Group accounts (which consolidate the PCC and CC single entity accounts).

Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the PCC and CC's control environments, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters

We conclude our testing of key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss our early findings of the PCC and CC's approach to address the key risk areas with the PCC's Chief Finance Officer and CC's Finance staff on an ongoing basis, prior to reporting to the Joint Audit and Scrutiny Panel in September 2015.

Audit adjustments

During our on site work, we will meet with key finance staff on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Joint Audit and Scrutiny Panel. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Annual Governance Statements

We are also required to satisfy ourselves that the PCC and CC's Annual Governance Statements comply with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are part of this.

We report the findings of our audit of the financial statements work in our *ISA 260 Report*, which we will issue in September 2015.

Our audit approach – other matters

In addition to the financial statements, we also review the PCC's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Whole of Government Accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2014/15 have not yet been confirmed.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Joint Audit and Scrutiny Panel. Our deliverables are included on page 20.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Police and Crime Commissioner and the Chief Constable supported by the Joint Audit and Scrutiny Panel,

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 *Integrity, Objectivity and Independence* requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

Confirmation statement

We confirm that as of the date of this report in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Key financial statements audit risks

In this section we set out our assessment of the significant risks or other key areas of audit focus of the PCC and CC's financial statements for 2014/15.

For each key risk/significant risk area we have outlined the impact on our audit plan.

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our *ISA 260 Report*.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for PCCs and CCs as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Appendix 3 covers more details on our assessment of fraud risk.

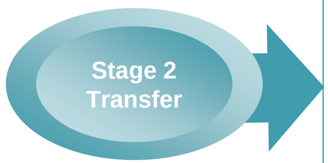
The table below sets out the significant risks we have identified through our planning work that are specific to the audit of the PCC and CC's financial statements for 2014/15.

We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary.

Key financial statements audit risks

In this section we set out our assessment of the significant risks or other key areas of audit focus of the PCC and CC's financial statements for 2014/15.

For each key risk/significant risk area we have outlined the impact on our audit plan.

Key audit risks/Area of other audit focus	Impact on audit
 **Audit areas affected** ■ Property Plant and Equipment ■ CIES Income/Expenditure ■ Treatment of pension liability	**Risk** The Police Reform and Social Responsibility Act 2011 (schedule 15 part 3) allows PCCs and Chief Constables to agree a transfer scheme for staff and assets from the PCC to the CC. As such, the Home Office required a transfer scheme to be submitted for each local police area for implementation by 1 April 2014. It is likely that at least some staff or assets will be transferred to Chief Constable, but it is up to each PCC and CC to agree their own transfer scheme and these arrangements will differ between local police areas. CIPFA issued LAAP Bulletin 98A regarding the Closure of the 2013/14 Accounts and considered the treatment of staff and asset transfer for Stage 1. The Bulletin also introduced the consideration of such treatments for the Stage 2 transfers. **Our proposed audit work** As part of our audit, we will ensure the Police and Crime Commissioner and Chief Constable is aware of the latest guidance and review the judgements it has made. This will include : ■ Determining whether the PCC and CC have identified the appropriate staff and assets to transfer, including pension liabilities. ■ Considering the PCC and CC application of the relevant accounting standards to account for these and challenging its judgements where necessary; and ■ Obtain a copy of the approved transfer scheme and ensure that the accounting treatment for the stage 2 transfer is in line with the approval and where appropriate consistent with the stage 1 treatment and the 2013/14 financial statements.

Key financial statements audit risks (continued)

For each key risk area we have outlined the impact on our audit plan.

Key audit risks/Area of other audit focus	Impact on audit
A19 Tribunal ruling **Audit areas affected** ■ Financial Statements Presentation ■ Contingent Liabilities ■ Provisions	**Risk** Nottinghamshire Police lost the employment tribunal against them in relation to A19. This forced officers with over 30 years service to retire. In Nottinghamshire this affected just under 100 officers. Along with four other forces Nottinghamshire may now have to pay for some form of compensation to these former officers. An appeal has been lodged. The results are not yet known and depending on the timing of any judgement there may be an impact on the 2014/15 financial statements. **Our proposed audit work** We will assess the potential impact of any ruling prior to the conclusion of our 2014/15 audit opinion on the 2014/15 financial statements. We will review the likely accounting entries such as provisions and enquire as to how you plan to resource any future payments.

VFM audit approach

Our approach to VFM work follows guidance provided by the Audit Commission.

Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the PCCs and CCs this year.

The approach is structured under two themes, as summarised below.

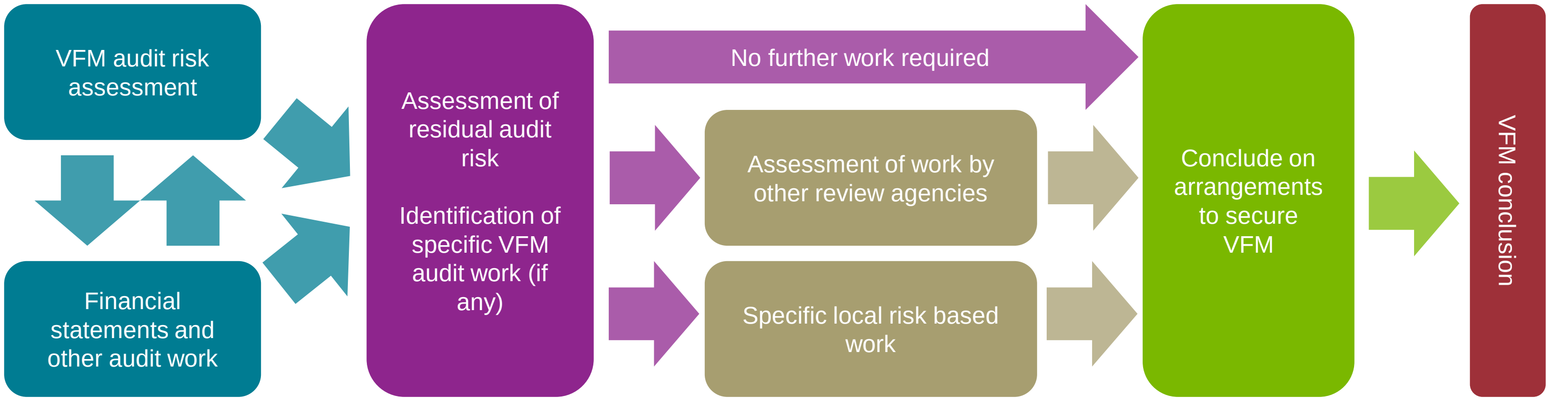
Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing **financial resilience**.	The organisation has robust systems and processes to: ■ manage effectively financial risks and opportunities; and ■ secure a stable financial position that enables it to continue to operate for the foreseeable future.	■ Financial governance ■ Financial planning ■ Financial control
The organisation has proper arrangements for challenging how it **secures economy, efficiency and effectiveness**.	The organisation is prioritising its resources within tighter budgets, for example by: ■ achieving cost reductions; and ■ improving efficiency and productivity.	■ Prioritising resources ■ Improving efficiency and productivity

VFM audit approach (continued)

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	We consider the relevance and significance of the potential business risks faced by all PCCs and CCs, and other risks that apply specifically to the PCC and CC. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*. In doing so we consider: ■ the PCC and CC's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ information from the HMIC VFM profile tool; ■ evidence gained from previous audit work, including the response to that work; and ■ the work of HMIC and other inspectorates and review agencies.

VFM audit approach (continued)

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

VFM audit stage	Audit approach
Linkages with financial statements and other audit work	There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the PCC and CC's organisational control environment, including the PCC and CC's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities. We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.
Assessment of residual audit risk	It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria. Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the PCC and CC may prepare against the characteristics. To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion. At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.
Identification of specific VFM audit work	If we identify residual audit risks, then we will highlight the risk to the PCC and CC and consider the most appropriate audit response in each case, including: ■ considering the results of work by the PCC and CC, HMIC and other inspectorates and review agencies; and ■ carrying out local risk-based work to form a view on the adequacy of the PCC and CC's arrangements for securing economy, efficiency and effectiveness in its use of resources.

VFM audit approach (continued)

Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We have completed our initial risk assessment and identified two risks to our VFM conclusion at this stage. These relate to the A19 employment tribunal appeal outcome and the likely impact on the ongoing financial resilience of the PCC/CC and the need to achieve ongoing savings. We will update our assessment throughout the audit.

We will conclude on the results of the VFM audit through our ISA 260 Report.

VFM audit stage	Audit approach
Delivery of local risk based work	Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as: ■ local savings review guides based on selected previous Audit Commission national studies; and ■ update briefings for previous Audit Commission studies. The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.
Concluding on VFM arrangements	At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the PCC and CC's arrangements for securing economy, efficiency and effectiveness in the use of resources. If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.
Reporting	On the following page, we report the results of our initial risk assessment. We will report on the results of the VFM audit through our *ISA 260 Report*. This will summarise any specific matters arising, and the basis for our overall conclusion. If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake. The key output from the work will be the VFM conclusion (i.e. our opinion on the PCC and CC's arrangements for securing VFM), which forms part of our audit report.

VFM audit approach (cont'd…)

We have identified two specific VFM risks.

We will carry out additional risk-based work in the following areas:

- **A19 employment tribunal appeal and the potential financial consequences facing the PCC/CC.**
- **Budget savings**

In some cases we are satisfied that external or internal scrutiny provides sufficient assurance that the PCC and CC's current arrangements in relation to these risk areas are adequate.

In line with the risk-based approach set out on the previous page, we have

- assessed the PCC and CC's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the PCC and CC, the Audit Commission, HMIC and other inspectorates and review agencies in relation to these risk areas; and
- concluded to what extent we need to carry out additional risk-based work.

Below we set out our preliminary findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We will report our final conclusions in our *ISA 260 Report 2014/15*.

Key VFM risk	Risk description and link to VFM conclusion	Preliminary assessment
A19 Tribunal Ruling	Nottinghamshire lost the employment tribunal brought against them and four other forces by the Police Superintendents Association of England and Wales. This challenged the legality of their decision to force nearly 100 officers with more than 30 years service to retire. Nottinghamshire have appealed this decision but the outcome of the appeal and its potential financial consequence is not yet known. If Nottinghamshire lose the appeal and have to pay compensation and the costs associated with calculating this the financial impact could be detrimental to the financial resilience element of the VFM conclusion.	Although a contingent liability of £3.5m was included in the both the 2013/14 and 2012/13 financial statements, the actual costs of losing this tribunal are likely to be materially higher than this. This has financial implications for the PCC/CC. A detrimental appeal outcome will impact on accounting entries and provisions and will also have an ongoing impact in the financial year in which payments may have to be made to former police officers. Until the outcome of the appeal is known the PCC/CC will continue to show a contingent liability within their accounts. A provision calculation will not be attempted until the result of the appeal is known as compensation will depend on each officers individual circumstances. This level of uncertainty may impact on our financial resilience VFM conclusion. We will continue to monitor the outcome of the appeal and any potential impact throughout our audit.

VFM audit approach (continued)

Key VFM risk	Risk description and link to VFM conclusion	Preliminary assessment
	Nottinghamshire Police along with all forces have significant budget savings to make over the coming years. Plans are in place to achieve these savings and these were reviewed as part of last year's VFM assessment. We will review ongoing saving plans and processes as part of our VFM audit work linking this to any further HMIC or external body reports in relation to VFM such as the PEEL review.	We will continue to monitor all HMIC reports undertaken at Nottinghamshire Police and review your saving plans as part of our VFM work. This will also include reviewing the VFM self assessment and evidence that you provide to us as part of the audit.

Audit team

Your audit team has been drawn from our specialist public sector assurance department..

Contact details are shown on page 1.

The audit team will be assisted by other KPMG specialists as necessary.

"My role is to lead our team and ensure the delivery of high quality external audit opinions. I will be the main point of contact for the Joint Audit and Scrutiny Panel, the Police and Crime Commissioner and the Chief Constable."

Andy Cardoza

Director

"I am responsible for the management, review and delivery of the audit and providing quality assurance for any technical accounting areas. I will work closely with Andrew to ensure we add value. I will liaise with the PCC's Chief Finance Officer, the CC's Finance Staff and Head of Internal Audit."

Simon Lacey

Manager

""I will be responsible for the on-site delivery of our work. I will liaise with the Finance staff and will supervise the work of our audit assistants."

Anita Pipes

Assistant Manager

Audit deliverables

Deliverable	Purpose	Committee dates
Planning		
External Audit Plan **(Joint for PCC and CC)**	■ Outlines our audit approach. ■ Identifies areas of audit focus and planned procedures.	**February 2015**
Control evaluation and Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report) (Joint for PCC and CC)	■ Details control and process issues arising ■ Details the resolution of key audit issues. ■ Communicates adjusted and unadjusted audit differences. ■ Highlights performance improvement recommendations identified during our audit. ■ Comments on the PCC and CC's value for money arrangements.	**September 2015**
Completion		
Auditor's Report **(separate reports for the PCC and CC)**	■ Provides an opinion on your accounts (including the Annual Governance Statements). ■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	**September 2015**
Whole of Government Accounts (PCC only)	■ Provides our assurance statement on the PCC's WGA pack submission.	**October 2015**
Annual Audit Letter **(Joint for PCC and CC)**	■ Summarises the outcomes and the key issues arising from our audit work for the year.	**November 2015**

Audit timeline

We will be in continuous dialogue with you throughout the audit.

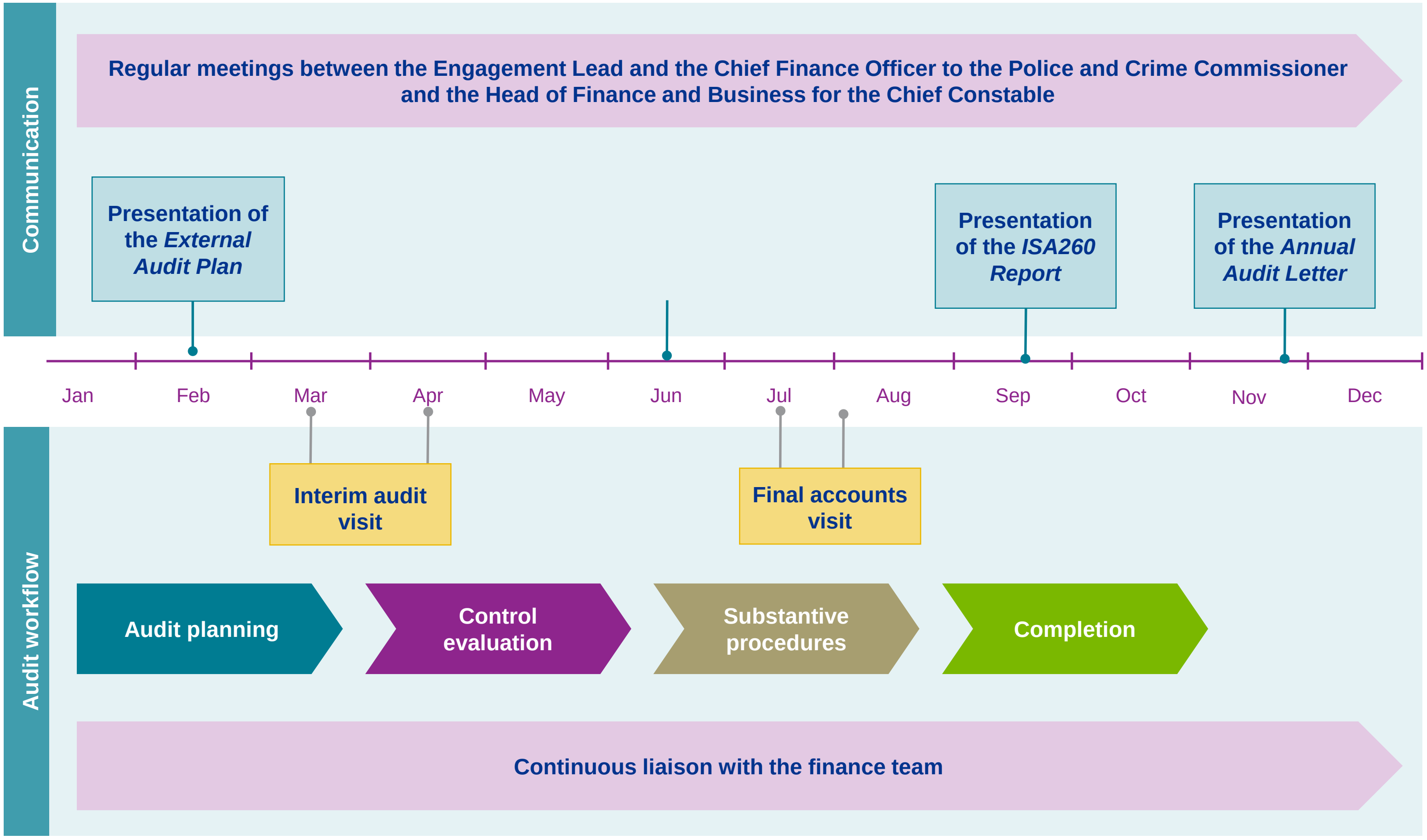
Key formal interactions with the Joint Audit Scrutiny Panel are:

- **February – External Audit Plan;**
- **September – ISA 260 Report;**
- **November – Annual Audit Letter.**

We work with the finance team throughout the year.

Our main work on site will be our:

- **Interim audit visits during March.**
- **Final accounts audit during July.**



Key: ● Audit Committee meetings.

Audit fee

The fee for the 2014/15 audit of the PCC and CC is £66,960. The fee has not changed from that set out in our *Audit Fee Letter 2014/15* issued in April 2014.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Audit fee

Our *Audit Fee Letter 2014/15* presented to you in April 2014 first set out our fees for the 2014/15 audit. We have not considered it necessary to make any changes to the agreed fees at this stage.

Element of the audit	2014/15 (planned)	2013/14 (actual)
Police and Crime Commissioner	£46,960	£46,960
Chief Constable	£20,000	£20,000
Additional Fee		£2,394
Total	**£66,960**	**£69,354**

Our audit fee includes our work on the VFM conclusion and our audit of the PCC and CC's financial statements. The planned audit fee for 2014/15 is **£66,960**.

Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2013/14;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2014/15* within your 2014/15 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
  - the financial statements are made available for audit in line with the agreed timescales;
  - good quality working papers and records will be provided at the start of the final accounts audit;
  - requested information will be provided within the agreed timescales; and
  - prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Future audit fees can be kept to a minimum if the PCC and CC achieve an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Chief Finance Officer and the Head of Finance and Business.

Appendix 1: Independence and objectivity requirements

This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the PCC or CC invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

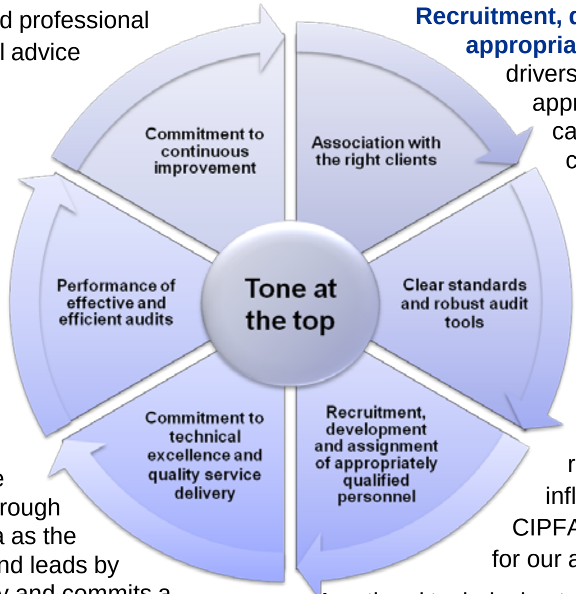
KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.



Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drivers of quality through a focused and consistent voice. Andy Cardoza as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the PCC and CC's risks. We take care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

-A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 2: KPMG Audit Quality Framework cont'd …

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals will keep you up to date and provide accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

We are able to evidence the quality of our audits through the results of Audit Commission reviews. The Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality).

The latest Annual Regulatory Compliance and Quality Report (issued June 2014) showed that we are meeting the Audit Commission’s overall audit quality and regularity compliance requirements.

Appendix 3 : Assessment of fraud risk

We are required to consider fraud and the impact that this has on our audit approach.

We will update our risk assessment throughout the audit process and adapt our approach accordingly.

Members /Officers responsibilities

- Adopt sound accounting policies.
- With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.
- Establish proper tone/culture/ethics.
- Require periodic confirmation by employees of their responsibilities.
- Take appropriate action in response to actual, suspected or alleged fraud.
- Disclose to Joint Audit and Scrutiny Panel and auditors:
  - any significant deficiencies in internal controls.
  - any fraud involving those with a significant role in internal controls.

KPMG's identification of fraud risk factors

- Review of accounting policies.
- Results of analytical procedures.
- Procedures to identify fraud risk factors.
- Discussion amongst engagement personnel.
- Enquiries of management, Joint Audit and Scrutiny Panel and others.
- Evaluate controls that prevent, deter, and detect fraud.

KPMG's response to identified fraud risk factors

- Accounting policy assessment.
- Evaluate design of mitigating controls.
- Test effectiveness of controls.
- Address management override of controls.
- Perform substantive audit procedures.
- Evaluate all audit evidence.
- Communicate to Joint Audit and Scrutiny Panel and relevant finance staff

KPMG's identified fraud risk factors

- We will monitor the following areas throughout the year and adapt our audit approach accordingly.
  - Revenue recognition.
  - Management override of controls.

Appendix 4: Transfer of Audit Commission's functions

The Audit Commission will be writing to audited bodies and other stakeholders in the coming months with more information about the transfer of the Commission's regulatory and other functions.

From 1 April 2015 a transitional body, Public Sector Audit Appointments Limited (PSAA), established by the Local Government Association (LGA) as an independent company, will oversee the Commission's audit contracts until they end in 2017 (or 2020 if extended by DCLG). PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for publishing the Commission's value for money profiles tool will also transfer to PSAA.

From 1 April 2015, the Commission's other functions will transfer to new organisations:

- responsibility for publishing the statutory Code of Audit Practice and guidance for auditors will transfer to the National Audit Office (NAO) for audits of the accounts from 2015/16;
- the Commission's responsibilities for local value for money studies will also transfer to the NAO;
- the National Fraud Initiative (NFI) will transfer to the Cabinet Office; and
- we are still awaiting confirmation of where the Commission's counter-fraud function will transfer to.

KPMG

Appendix 5 - External audit technical update – February 2015

This appendix provides the Joint Audit and Scrutiny Panel with highlights of the main technical issues which are currently having an impact in police.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- ● High impact (red)
- ● Medium impact (amber)
- ● Low impact (green)
- ● For info (grey)

TECHNICAL UPDATE			
Accounting for Injury Benefits – Firefighters and Police Officers.	● (High impact)	Transfer of Audit Commission responsibilities from 1 April 2015	● (Low impact)
National Audit Office consultation: Draft Code of Audit Practice for the audit of local public bodies	● (Medium impact)	The Audit Commission has updated the guidance for auditors on the conclusion on arrangements to secure value for money (VFM) for 2014/15 local VFM work.	● (For info)
Invitation to Comment and Simplification and Streamlining the Presentation of Local Authority Financial Statements	● (Medium impact)	NAO VFM study looking at the financial sustainability of Police Forces.	● (For info)
Audit commission consultation for the 2015/16 proposed work programme and scale fees	● (Low impact)	HMIC have published a report looking at the integrity of crime data in police forces in England and Wales.	● (For info)

Appendix 5 - Police Technical update cont'd …

Area	Level of Impact	Comments	KPMG perspective
Accounting for Injury Benefits – Firefighters and Police Officers	● **High**	In 2006, the Firefighters' Compensation Scheme (England) Order came into force. One of its effects was to change the way injury benefits were funded and accounted for in respect of firefighters who had retired due to injury. The Department for Communities and Local Government (DCLG) has identified instances where some authorities have incorrectly charged injury benefits to the pension fund account and consequently DCLG may have overpaid top-up grant. The Fire Finance Network is currently discussing proposals with DCLG for all fire authorities and county councils with fire responsibilities to provide DCLG with statements of assurance to confirm that they are accounting correctly for injury benefits and are taking steps to correct any previous errors which may have occurred. The guidance made available to KPMG by both the Audit Commission and DCLG was clear that injury benefits are not a charge to the Firefighters Pension Fund, and are not covered by top-up grant. For further information see the DCLG guidance at https://www.gov.uk/government/publications/firefighter-pensions-financial-arrangements-guidance. The Police (Injury Benefit) Regulations 2006 made similar provisions in respect of injury benefits for police officers. The Home Office did not issue specific guidance on police injury benefits.	***The committee may wish to seek assurances these costs are being accounted for appropriately and that where errors have been made, there are plans to address them.***

Appendix 5 - Police Technical update cont'd …

Area	Level of Impact	Comments	KPMG perspective
National Audit Office consultation: Draft Code of Audit Practice for the audit of local public bodies	**Medium**	On Friday 19 September 2014 the National Audit Office (NAO) launched its consultation on the draft Code of Audit Practice for the audit of local public bodies. Subject to Parliamentary approval, the Code will take effect from 1 April 2015 for audit work relating to the 2015/16 financial year onwards. The NAO is seeking views and comments on the draft Code. In particular, the views of audited bodies are being sought on how valuable the work carried out each year on value-for-money arrangements is. The closing date for consultation responses was Friday 31 October 2014. For more information visit http://www.nao.org.uk/keep-in-touch/our-surveys/consultation-code-audit-practice/	***The committee may wish to enquire of officers whether they responded to the consultation and the details of any response.***
Invitation to Comment and Simplification and Streamlining the Presentation of Local Authority Financial Statements	**Medium**	CIPFA and CIPFA/LASAAC have recently consulted on the Simplification and streamlining of the presentation of local authority financial statements. The consultation focused on the reporting of local authority performance and therefore on the comprehensive income and expenditure statement, the movement in reserves statement and the segmental reporting requirements specified in the Code of practice on local authority accounting in the United Kingdom. As an important part of reporting performance, it also considered the narrative reporting requirements which would accompany the financial statements. The consultation closed on 19 September 2014.	***The committee may wish to enquire of officers whether they responded to the consultation and the details of any response.***

Appendix 5 - Police Technical update cont'd …

Area	Level of Impact	Comments	KPMG perspective
Audit commission consultation for the 2015/16 proposed work programme and scale fees.	Low	On the 13th October 2014 The Audit Commission published for consultation the 2015/16 proposed work programme and scales of fees. Separate documents cover the Commission's work programme at local government and police bodies, and at health bodies. The consultation sets out the work that auditors will undertake at principal audited bodies for 2015/16, with the associated scales of fees. The Department for Communities and Local Government (DCLG) has asked the Audit Commission to set fees for 2015/16 before the Commission's closure on 31 March 2015. They are proposing to reduce scale fees by a further 25 per cent from 2015/16. They do not plan to make changes to the overall work programme. The fee reduction will apply to all principal bodies, with the exception of 15 local government bodies whose scale audit fees are already below £20,000, and of the fees for pension fund audits at local authorities. The 25 per cent fee reduction has been achieved as a result of the recent procurement exercise to retender the work undertaken under the older contracts with audit firms, and is in addition to the 40 per cent cut in fees made by the Commission in 2012. These savings are part of the legacy the Commission will leave behind after March 2015, with the lowest total audit fees for 25 years. The Commission is also making further rebates in respect of audit fees to audited bodies, returning another £6 million to most principal bodies, excluding CCGs. The rebates will be paid by cheque directly to audited bodies in October 2014. The rebates result from the efficient management of the Commission's closure. The Commission's Board will consider in March 2015 the amount of any final rebate on audit fees. **The consultation closes on Friday 9 January 2015**. The Commission will publish the final work programme and scales of fees for 2015/16 in March 2015. The consultation documents, and the lists of individual scale fees, are available on the Audit Commission website: http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/	***The committee may wish to enquire of officers whether they responded to the consultation and the details of any response.***

Appendix 5 - Police Technical update cont'd …

Area	Level of Impact	Comments	KPMG perspective
Transfer of Audit Commission responsibilities from 1 April 2015	Low	The work that auditors will carry out on 2015/16 accounts will be completed under the new Code of Audit Practice that the National Audit Office (NAO) is developing. Under the Local Audit and Accountability Act 2014 the Commission's responsibility to prepare and publish a Code transfers to the NAO. From 1 April 2015, Public Sector Audit Appointments (PSAA), set up by the Local Government Association as an independent company, will oversee the Audit Commission's audit contracts until they end in 2017, or 2020 if extended by DCLG. PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for housing benefit subsidy certification and for publishing the Commission's value for money profiles tool will also transfer to PSAA. The Commission's other functions will also transfer to new organisations, with local value for money studies as well as responsibility for the Code of Audit Practice transferring to the National Audit Office, the National Fraud Initiative to the Cabinet Office, and the counter-fraud functions to Chartered Institute of Public Finance and Accounting (CIPFA). The Audit Commission will be writing to audited bodies and other stakeholders in the coming months with more information about the transfer of the Commission's functions and where to find details on specific questions.	***The committee may wish to enquire of officers whether they have received any such communications from the Audit Commission and the details of any response.***

Appendix 5 - Police Technical update cont'd …

Area	Level of Impact	Comments
The Audit Commission has updated the guidance for auditors on the conclusion on arrangements to secure value for money (VFM) for 2014/15 local VFM work.	For information	The Audit Commission has updated the guidance for auditors on the conclusion on arrangements to secure value for money (VFM) for 2014/15 local VFM work. The guidance supports auditors' work on arrangements to secure VFM at the following types of audited body: ■ NHS trusts; ■ clinical commissioning groups (CCGs); ■ single-tier, county and district councils; ■ fire and rescue authorities; ■ the Greater London Authority, the London Legacy Development Corporation and Transport for London; ■ police bodies; and ■ other local government bodies. The key principles underpinning the Commission's approach on the conclusion on arrangements to secure VFM continue to be that it: ■ enables auditors to fulfil their responsibility under the Audit Commission Act 1998, relating to an audited body's arrangements to secure economy, efficiency and effectiveness; and ■ is applied proportionately to reflect the size, capacity and performance of different types of audited body and, as far as possible, consistently across all sectors of the Commission's regime. The main changes in the update for 2013/14 are set out in section 1.1 of the guidance. These are: ■ sections 1 and 2 updated to reflect changes relating to the Commission's closure in March 2015; ■ sector context and risk indicators updated for sections 3 to 6; ■ section 4 on Clinical Commissioning Groups (CCGs) updated to apply the specified reporting criteria, recognising that 2014/15 represents CCGs' second full year of operations; and ■ section 8 on reporting updated to emphasise further the type of conclusions that can be issued at different bodies, and when these may or may not be appropriate. The updated guidance is now available on the Audit Commission's website: http://www.audit-commission.gov.uk/audit-regime/codes-of-audit-practice/value-for-money-conclusion/

Appendix 5 - Police Technical update cont'd …

Area	Level of Impact	Comments
NAO VFM study looking at the financial sustainability of Police Forces.	**For information**	The National Audit Office (NAO) is conducting a value for money study looking at the financial sustainability of police forces in England and Wales. The fieldwork for the study started in October 2014 and continues until February 2015 with a planned publication date of June 2015. The study includes visits to a number of police forces in England and Wales which are now getting started and will take place until the end of February. The police areas in England selected by NAO for a visit are: ■ The Metropolitan Police; ■ West Midlands Police; ■ West Yorkshire Police; ■ Avon and Somerset Police; ■ Nottinghamshire Police; ■ Lincolnshire Police; and ■ West Mercia Police and Warwickshire Police (to be covered as a single case study).

Appendix 5 - Police Technical update cont'd …

Area	Level of Impact	Comments
HMIC have published a report looking at the integrity of crime data in police forces in England and Wales	**For information**	Her Majesty's Inspectorate of Constabulary (HMIC) has published a report looking at the integrity of crime data in police forces in England and Wales. The report concludes that overall, police are failing to record a significant proportion of the crimes reported to them each year by the public. The picture at a local level is more mixed, however, with some forces doing very well while others are performing very poorly. The report also notes that since the inspection took place, some forces have already taken significant steps to improve practices. The report can be found on the HMIC website: http://www.justiceinspectorates.gov.uk/hmic/wp-content/uploads/crime-recording-making-the-victim-count.pdf The local reports can be found on the HMIC website: http://www.justiceinspectorates.gov.uk/hmic/publication/crime-data-integrity-force-reports/

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