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Annual Audit Letter 2013/14

**Police and Crime Commissioner for
Derbyshire**

Chief Constable of Derbyshire

October 2014



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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 Authority, 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, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

This report summarises the key findings from our 2013/14 audit of the Derbyshire Police and Crime Commissioner (PCC) and the Derbyshire Chief Constable (CC).

Although this letter is addressed to Derbyshire Police and Crime Commissioner and the Derbyshire Chief Constable, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our work covers the audit of the PCC and CC 2013/14 financial statements and the 2013/14 VFM conclusion.

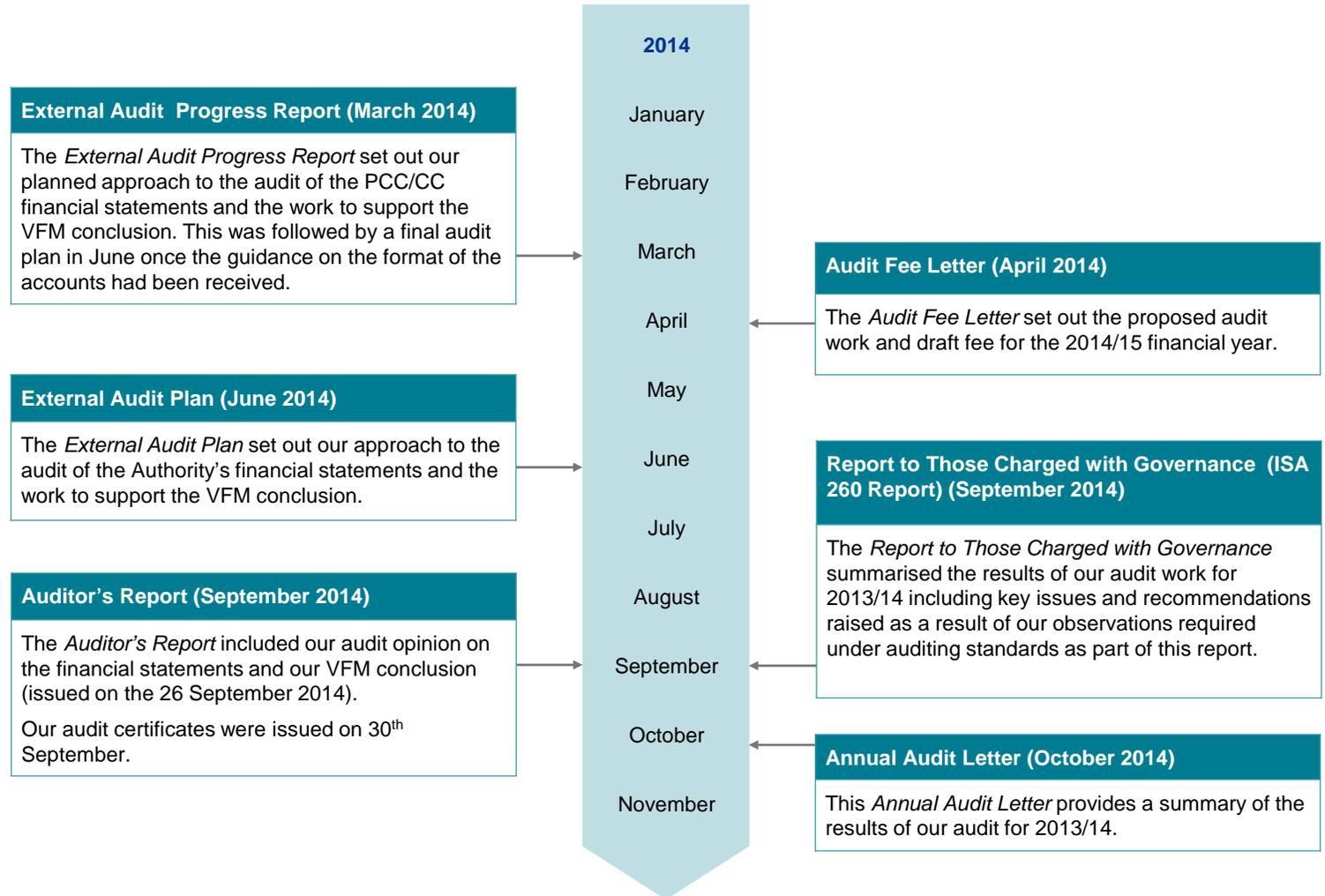
<p>VFM conclusion</p>	<p>We issued an unqualified conclusion for the Police and Crime Commissioner (PCC) and Chief Constables (CC) arrangements to secure value for money (VFM conclusion) for 2013/14 on 26 September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity. In particular we looked at the progress being made on priority based budgeting.</p>
<p>VFM risk areas</p>	<p>We did not identify any significant risks as part of our VFM conclusion, though during our planning process we did identify a VFM risk and considered the arrangements Derbyshire Police have put in place to mitigate this risk.</p> <p>Our planning work identified that Derbyshire Police forecast a deficit of some £23.5million over the next 5 years, with identified savings making up £19.2million of this amount and planned use of reserves of £4.3million required for the remainder. Priority based budgeting is being undertaken and to date the majority of savings have been identified, and whilst it is recognised that reserves need to be used to cushion the impact of such budget cuts the work undertaken so far has suggested adequate reserves will remain in place. As such however, whilst this significant risk has not been realised this year we will continue to monitor this particular risk area as part of our ongoing audit work.</p> <p>As part of our audit work on this risk we looked in particular at the progress being made by Derbyshire Police on priority based budgeting and the savings identified to date. We concluded that although more work needs to be undertaken to allocate the savings to each financial year, planning is well underway and Derbyshire Police recognises the various risks and uncertainties facing it. In addition, we also considered the planned impact on reserves each year and we plan to continue to monitor this particular risk as part of our ongoing work. So overall whilst Derbyshire Police is a relatively low cost constabulary and has over the past few years consistently delivered the savings it has required, with each year of additional austerity this will become much harder to achieve and may require some fundamental redesign of policing within Derbyshire.</p>
<p>Audit opinion</p>	<p>We issued an unqualified opinion on the financial statements of the PCC (which incorporated the financial statements of the CC), and the separate financial statements of the Chief Constable on 26 September 2014. This means that we believe that both sets of financial statements give a true and fair view of the financial position of the respective body and of their expenditure and income for the year.</p>
<p>Financial statements audit</p>	<p>There were no material errors identified during our audit which required a correction to either the PCC or CC financial statements.</p> <p>There were no material misstatements identified which were material enough to bring to your attention.</p> <p>Derbyshire were found to have adopted a slightly different approach to a number of other police forces in that they accounted for the pension liability and accumulated absences of civilian staff in the PCC accounts rather than the CC accounts. This approach was deemed to be satisfactory.</p>

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statements</i> and concluded that they were both consistent with our understanding of arrangements put in place by both the PCC and CC.</p> <p>A number of small amendments were made to both the PCC and the CC AGS to bring them in line with CIPFA guidelines.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Police and Crime Commissioner prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the consolidation pack was consistent with the audited financial statements.</p>
High priority recommendations	<p>We did not raise any high priority recommendations as a result of our 2013/14 audit work.</p>
Certificate	<p>We issued our certificate on the 30 September for both the PCC and the CC.</p> <p>The certificates confirm that we have concluded the audits for 2013/14 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	<p>Our fee for 2013/14 was £41,380 excluding VAT for the PCC and £20,000, excluding VAT for the CC. This was inline with the planned fee and represents a reduction of £4,620 on the previous years total audit fee.</p> <p>Further detail is contained in Appendix 2.</p>

Appendix 1: Summary of reports issued

This appendix summarises the reports we have issued since our last *Annual Audit Letter*.



This appendix provides information on our final fees for 2013/14.

To ensure openness between KPMG and your Joint Audit Risk and Assurance Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

External audit

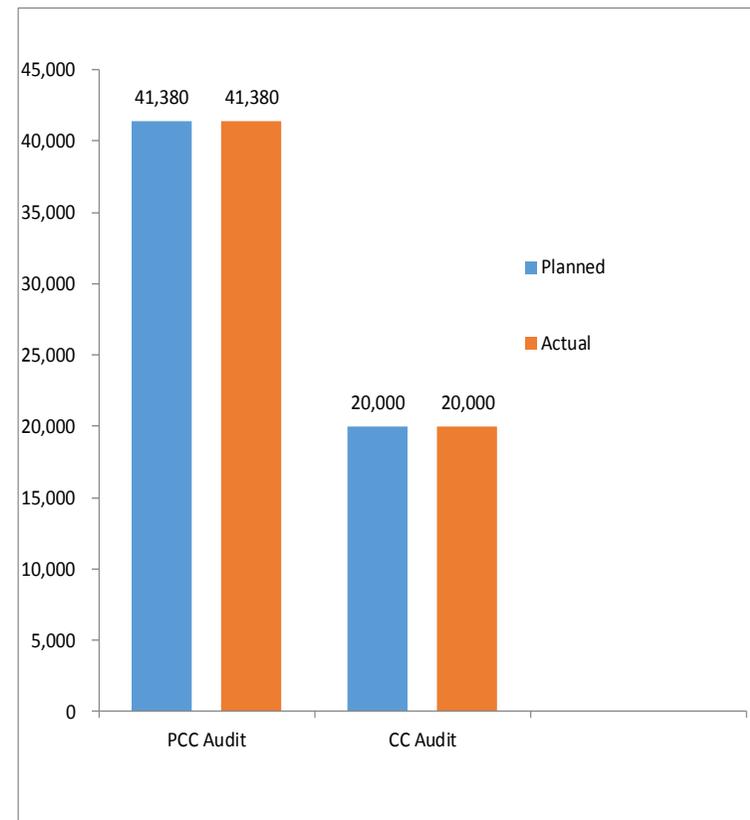
Our final fee for the 2013/14 audit of the PCC was £41,380. The final fee for the 2013/14 audit of the CC was £20,000. Both were in line with our planned fees for the 2013/14 financial year as reported to you in April 2014.

The total fee of £61,830 represents a total fee reduction of £4,620 from 2012/13.

Other services

No other additional fee work was undertaken during 2013/14.

External audit fees 2013/14 (£'000)





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