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# Annual Audit Letter 2014/15

Police & Crime Commissioner for West Yorkshire and  
Chief Constable of West Yorkshire

October 2015

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This report is addressed to the Police and Crime Commissioner for West Yorkshire and the Chief Constable of West Yorkshire (the PCC and the CC) and has been prepared for the sole use of the PCC and the CC. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://www.psa.co.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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, the engagement lead to the PCC and the CC, who will try to resolve your complaint. Trevor is also the national contact partner for all of KPMG's work with the PSAA. If you are dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

**This report summarises the key findings from our 2014/15 audits of the Police and Crime Commissioner for West Yorkshire (the PCC) and the Chief Constable of West Yorkshire (the Chief Constable).**

**Although this letter is addressed to the PCC and Chief Constable as the corporation sole, it is also intended to communicate these issues to key external stakeholders, including members of the public.**

**Our audits cover the audit of the PCC's and the Chief Constable's 2014/15 financial statements and the 2014/15 VFM conclusions.**

<p><b>VFM conclusions</b></p>	<p>We issued an unqualified conclusion on both the PCC's and the Chief Constable's arrangements to secure value for money (VFM conclusion) for 2014/15 on 30 September 2015. This means we are satisfied that that PCC and the Chief Constable had proper arrangements for securing financial resilience and challenging how they secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusions we looked at the PCC's and the Chief Constable's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity. We also reviewed reports issued by external review agencies that were relevant to the force.</p>
<p><b>VFM risk areas</b></p>	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusions and considered the arrangements that were put in place to mitigate these risks.</p> <p>Our work identified the programme of change as a risk that could impact on the VFM conclusions. The force faces significant financial pressures in the next few years, as do every other police force in the country. We identified that the force had developed a medium term financial forecast which reflected realistic assumptions on future funding levels arising from the Summer Budget 2015 and the review of the current funding formula. We also reviewed progress on the programme of change savings identified within 2014/15, where the entire programme was met, with 79 per cent of the savings achieved being recurrent rather than one-off initiatives.</p>
<p><b>Audit opinions</b></p>	<p>We issued unqualified opinions on the PCC's and the Chief Constable's financial statements on 30 September 2015. This means that we believe the financial statements give a true and fair view of the financial position of both the PCC and the Chief Constable and of their expenditure and income for the year.</p>
<p><b>Financial statements audits</b></p>	<p>Our audits of the PCC and the Chief Constable identified one significant risk as required by auditing standards, the risk of management override of control. Our audit methodology addresses this risk through the testing of controls and substantive procedures over journals, accounting estimates and significant unusual transactions. The other standard risk identified by professional standards, the fraud risk of revenue recognition, was excluded as we did not identify an incentive to fraudulently recognise revenue.</p> <p>We also identified two areas of other audit focus, these being property, plant and equipment and cash. We undertook extensive procedures over both areas of focus to ensure that the transactions reported in the year were correctly identified and that the position reported at the year-end in the balance sheet was appropriate.</p>

We provide a summary of our key recommendations in Appendix 1.

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

Annual Governance Statements	We reviewed your <i>Annual Governance Statements</i> and concluded that they were consistent with our understanding.
Whole of Government Accounts	<p>The PCC produces a Whole of Government Accounts return for the consolidated financial statements, comprising the activity of the PCC and the Chief Constable combined.</p> <p>We reviewed the consolidation pack prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the PCC's pack was consistent with the audited financial statements. Due to technical issues, which took DCLG one week to resolve on the PCC's behalf, the pack could not be submitted until 7 October, three working days after the deadline.</p>
Audit recommendations	Our audit identified one medium priority recommendation which has been detailed in Appendix 1.
Certificates	We issued our certificate for the Chief Constable on 30 September 2015. The certificate for the PCC was delayed until 7 October as the WGA assurance statement had to be issued before the certificate could be signed. The certificates confirm that we have concluded the audits for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
Audit fee	Our fee as set by the Audit Commission for 2014/15 was £85,560, excluding VAT (£55,560 for the PCC and £30,000 for the Chief Constable).

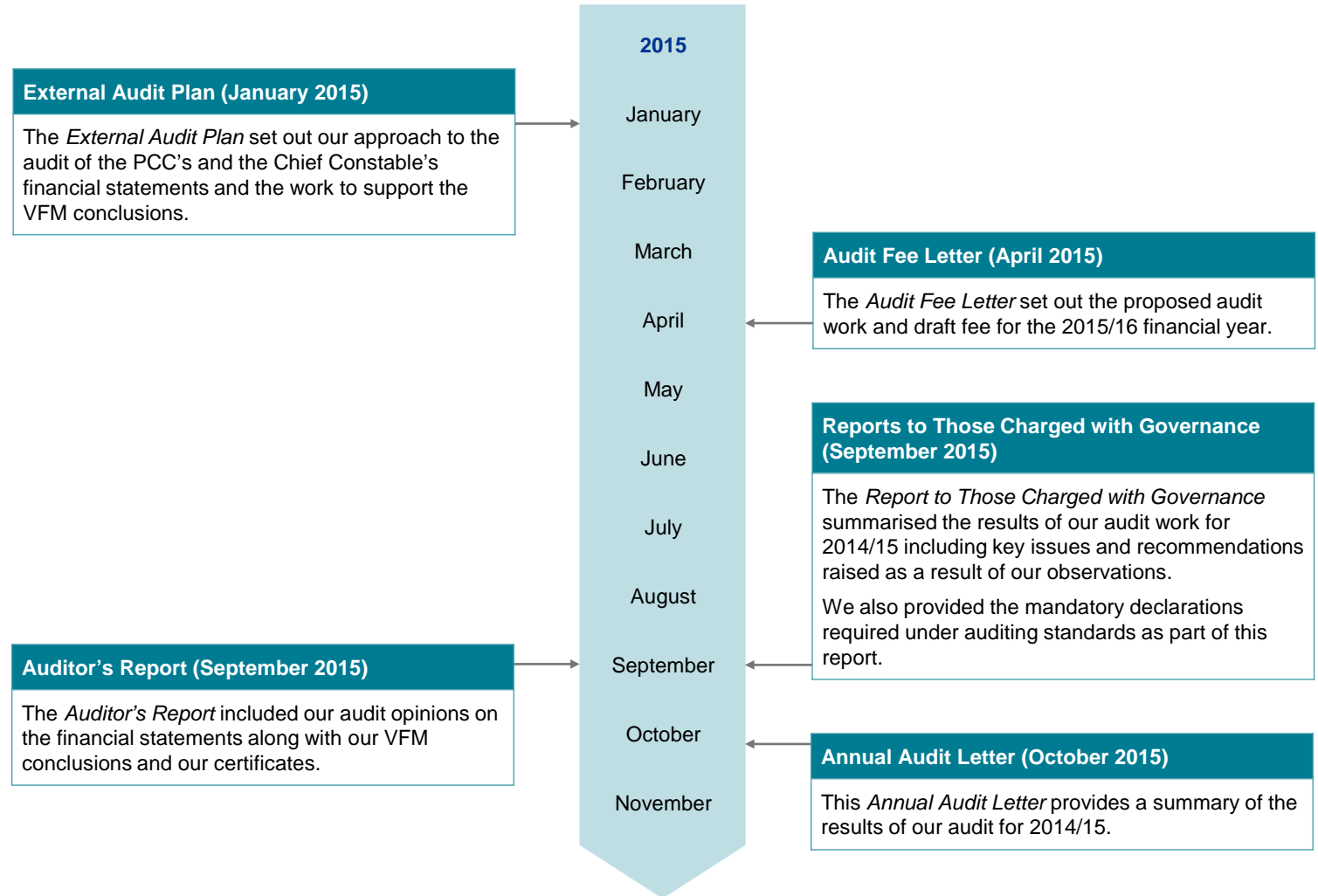
## Appendix 1: Key issues and recommendations

This appendix summarises the medium priority recommendation that we identified during our 2014/15 audit, along with your response to it.

No.	Issue and recommendation	Management response / responsible officer / due date
1	<p><b>Journals</b></p> <p>The finance system used by the PCC and the CC does not prevent the same user from preparing and authorising the same journal.</p> <p>Management explained that journals are authorised manually and that the segregation of duties is maintained through this control.</p> <p>A sample of 25 journals identified that paper copies could only be located for 16 of these, and not all of the 16 evidenced the authorisation of the journal. Some of the missing journals were prepared by members of staff who have since left the force, and whose hard copy working papers were probably destroyed before they left</p> <p>This lack of a segregation of duties means that errors made in preparing the journal may not be identified until after they have been posted; there is also an increased risk of fraud.</p> <p><b>Recommendation</b></p> <p>We recommend that all staff are reminded of the need to obtain a separate authorization of journals that they raise. These authorized journals should be filed separately, ideally in a central location, so they can be easily accessed if required.</p>	<p><b>Management response</b></p> <p>We acknowledge that there were a small number of journals that were processed, for which a hard copy could not be located. However it is not always appropriate to have a hard copy of all journals, for instance the payroll interface file which is systems generated and extremely large. Some systems generated journals did form part of the sample. However we will remind staff of the importance of having journals authorised and appropriately filed.</p> <p><b>Responsible officer</b></p> <p>Head of Accountancy</p> <p><b>Due date</b></p> <p>31 December 2015</p>

## Appendix 2: Summary of reports issued

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





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