

Annual Audit Letter 2017/18

Police and Crime Commissioner for Dorset

8

Chief Constable for Dorset

August 2018





Section one

Summary for Independent Audit Committee



Section one:

Summary for Independent Audit Committee

This Annual Audit Letter summarises the outcome from our audit work at Dorset Police and Crime Commissioner ('the PCC') and Chief Constable for Dorset ('the CC') in relation to the 2017-18 audit year.

Although it is addressed to the PCC and CC, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the PCC's website.

Audit opinion

We issued an unqualified opinion on the PCC and CC's financial statements on 30 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the PCC and CC and of its expenditure and income for the year.

Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the PCC's accounts was set at £1.8 million which equates to around 1.3 percent of gross expenditure. Materiality for the CC's accounts was set at £1.7 million which equates to around 1.7 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Independent Audit Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the PCC, an individual difference is considered to be clearly trivial if it is less than £90k; for the CC, an individual difference is considered to be clearly trivial if it is less than £85k.

The overall process for the preparation of the financial statements was adequate and working papers supporting the draft accounts were sufficiently detailed. We identified no significant audit adjustments. The PCC and CC incorporated a number of measures into its closedown plan to further improve the project management of this complex process. This included aligning the financial statement templates and accounting policies early in the year to avoid delays and standardisation of working papers between the forces.

Our audit work was designed to specifically address the following significant risks:

- Management Override of Controls professional standards require us to consider the risk of management override of controls as a significant risk. Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried 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. There are no matters arising from this work that we need to bring to your attention;
- Valuation of PPE we reviewed the external valuation report and reconciled the asset values per the
 report to the Fixed Asset register. We obtained confirmation from the valuer that there were no material
 changes in asset values between the date of the valuation and the balance sheet date;
- Pensions Liabilities the valuation of the Local Government Pension Scheme and Police Pension
 Scheme pension liabilities, as calculated by the Actuary, is dependent upon both the accuracy and
 completeness of the data provided and the assumptions adopted. We reviewed the processes in place to
 ensure accuracy of data provided to the Actuary and considered the assumptions used in determining the
 valuation;



Section one:

Summary for Independent Audit Committee (cont.)

- Faster Close the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2016/17: 30 June) and the final accounts signed by 31 July (2016/17: 30 September). We worked with the Finance team in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work. All the required deadlines were met; and
- Strategic Alliance cost allocation As in previous years, the methodology for apportioning cost and savings between Dorset Police and Devon & Cornwall Police is important to the outturn for both forces. There is a risk that the process is not appropriate or applied consistently, leading to a distortion in financial performance. We used our knowledge of the organisation and prior year work to review the methodology being used to apportion costs and savings and ensure it is appropriate and applied consistently. This work responded to the presumed risk of management override of controls.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

Whole of Government Accounts

The PCC and CC prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review the pack in detail as the PCC and CC fall below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.

Value for Money risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matters:

Medium Term Financial Planning – The Force's MTFP details a balanced budget for 2018/19 including savings of £0.85 million in year, all of which have been identified. However, the MTFP details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings which have yet to be identified, up to £7.7 million by 2021/22. We considered the assumptions that fed into the MTFP and considered that these were reasonable, although we noted that potential pressures on wage inflation could lead to increased difficulty in balancing the budget in future years. Continued working with Devon & Cornwall Police and other partners to improve efficiency and economy will be critical to achieving a sustainable financial position in the future.

Value for Money conclusion

We issued an unqualified conclusion on the PCC's and CC's arrangements to secure value for money (VFM conclusion) for 2017-18 on 30 July 2018. This means we are satisfied that during the year the PCC and CC had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we considered the PCC's and CC's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

High priority recommendations

We did not raise any high priority recommendations as a result of our 2017-18 work.



Section one:

Summary for Independent Audit Committee (cont.)

Certificate

We issued our certificate on 30 July 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

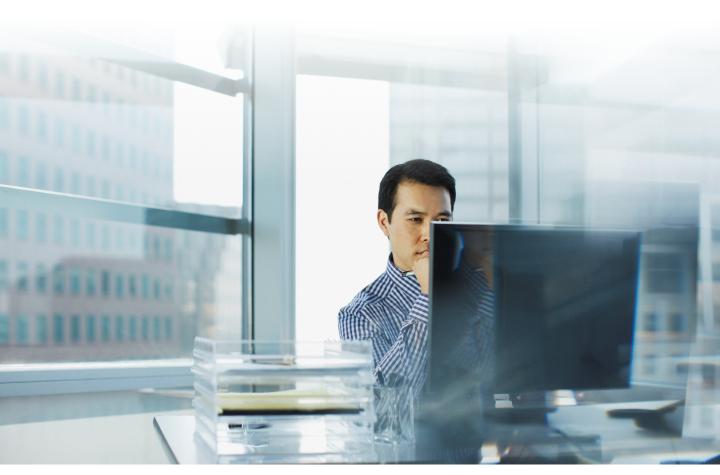
Our fee for 2017-18 was for the Police and Crime Commissioner audit was £29,291 excluding VAT (£29,291 in 2016/17) and for the Chief Constable was £15,000 excluding VAT (£15,000 in 2016.17). This was in line with the planned fee.

We did not charge any additional fees for other services.

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the PCC and CC should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.



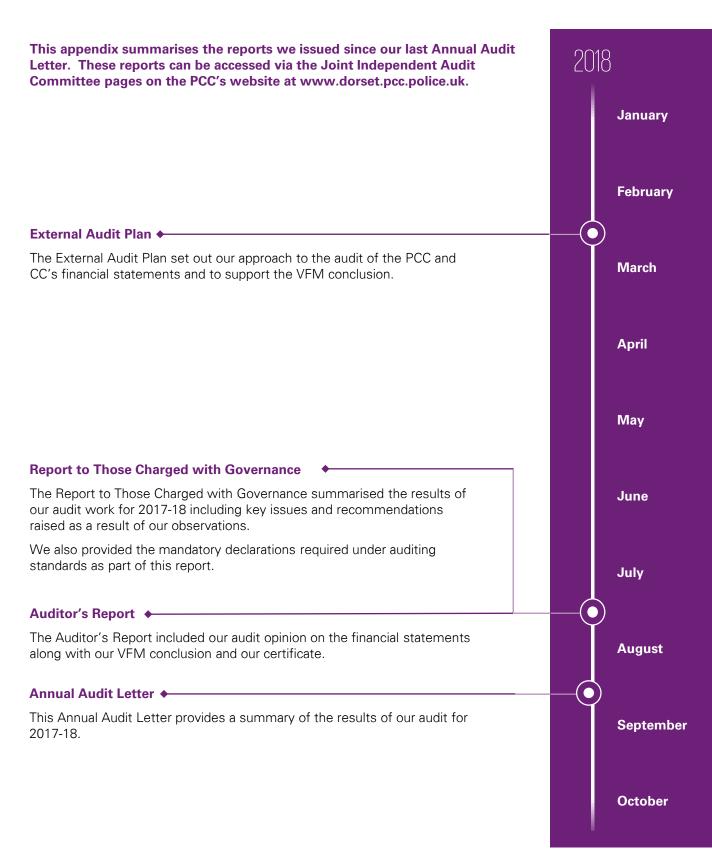


Appendices



Appendix 1:

Summary of reports issued







The key contacts in relation to our audit are:

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This report is addressed to the 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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.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 Rees Batley, the engagement lead to the PCC and CC, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmq.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing 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.

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