



*cutting through complexity*

# Report to those charged with governance (ISA 260) 2014/15

Humberside Police and Crime Commissioner/Chief  
Constable

September 2015

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This report is addressed to the PCC/CC and has been prepared for the sole use of the PCC/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 Rashpal Khangura, the engagement lead to the PCC/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, Trevor Rees (on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.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](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 document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the PCC/CC; and
- our assessment of the PCC's and the CC's arrangements to secure value for money.

### Scope of this report

This report summarises the key findings arising from:

- our audit work at Humberside Police and Crime Commissioner ('the PCC') and Humberside Chief Constable ('the CC') in relation to their 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the PCC/CC's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

### Financial statements

Our *External Audit Plan 2014/15*, presented to you in December 2014, set out the four stages of our financial statements audit process.



We previously reported on our work on the first two stages in our *Interim Audit Report 2014/15* issued in March 2015.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July and August 2015.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

### VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit

risks for our VFM conclusion; and

- considering the results of any relevant work by the PCC/CC and other inspectorates and review agencies in relation to these risk areas.

### Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the PCC/CC.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix 2.

### Acknowledgements

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

This table summarises the headline messages for the PCC/CC. The remainder of this report provides further details on each area.

<b>Proposed audit opinion</b>	We anticipate issuing an unqualified audit opinion on the PCC and CC financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
<b>Audit adjustments</b>	Our audit identified no audit adjustments impacting on the face of the main financial statements. However there were a number of presentational and disclosure changes to the accounts and these are outlined on page 4.
<b>Key financial statements audit risks</b>	We review risks to the financial statements on an ongoing basis. We identified no significant risks specific to the PCC/CC during 2014/15 with respect to the financial statements.
<b>Accounts production and audit process</b>	The PCC/CC has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
<b>Completion</b>	At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter.  We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the PCC and CC's financial statements.
<b>VFM conclusion and risk areas</b>	We did not identify any specific VFM risks in our audit plan in 2014/15 but have continued to review any potential risks to our VFM opinion throughout the year. We have made one recommendation about the development of an Ethics Committee in Appendix 1.  We have concluded that the PCC/CC has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.

**We have not identified any issues in the course of the audit and we anticipate issuing an unqualified audit opinion in relation to the PCC/CC's financial statements by 30 September 2015.**

**The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007**

**Proposed audit opinion**

We anticipate issuing an unqualified audit opinion on the PCC and CC's financial statements following review of the Statement of Accounts by the Joint Independent Audit Committee on the 25<sup>th</sup> September 2015 and approval by the Police and Crime Commissioner and Chief Constable.

**Audit differences**

In accordance with ISA 260 we are required to report uncorrected audit differences to you. 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.

The final materiality (see Appendix 4 for more information on materiality) level for this year's audit was set at £3.5million. Audit differences below £180,000 are not considered significant.

Our audit identified no audit adjustments impacting on the face of the main financial statements. However there were a number of presentational and disclosure changes to the accounts including:

- Disclosure of a post balance sheet event as a consequence of the impact of the Pensions Ombudsman's decision in Milne v Government Actuaries Department (GAD). This confirmed that GAD had failed to identify its continuing responsibility to calculate appropriate commutation factors between 1998 and 2006. The Home Office has now indicated the potential expected cost impacting on transfers in and contributions paid in the Police Pension Fund Accounts will be funded so there will be no cost to the CC or PCC.
- The value of benefits in kind for senior officers has been added to the Officers Emoluments note for 2014/15 and prior year figures leading to a total change of £24k in the current year on the note.

**Annual Governance Statement**

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A*

*Framework* published by CIPFA/SOLACE; and

- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
 <p>Audit areas affected</p> <ul style="list-style-type: none"> <li>■ All areas</li> </ul>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>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.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
 <p>Audit areas affected</p> <ul style="list-style-type: none"> <li>■ None</li> </ul>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our <i>External Audit Plan 2014/15</i> we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>



# Financial Statements (continued) Accounts production and audit process

The PCC/CC has a well established and sound accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was high.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

### Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the PCC/CC's accounting practices and financial reporting. We also assessed the PCC/CC's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
<b>Accounting practices and financial reporting</b>	The PCC/CC continues to maintain a strong financial reporting process and produce statements of accounts to a good standard.  We consider that accounting practices are appropriate
<b>Completeness of draft accounts</b>	We received a complete set of draft accounts on by the deadline of the 30 June 2015.
<b>Quality of supporting working papers</b>	We issued our <i>Accounts Audit Protocol</i> including our required working papers for the audit and the quality of working papers provided was high and fully met the standards specified in our <i>Accounts Audit Protocol</i> .
<b>Response to audit queries</b>	Officers resolved all audit queries in a timely manner.

Element	Commentary
<b>Group audit</b>	To gain assurance over the PCC's group accounts, we placed reliance on work completed on the single entity financial statements of the PCC and the CC.  There are no specific matters to report pertaining to the group audit.

### Prior year recommendations

As part of our audit we have specifically followed up the PCC/CC's progress in addressing the recommendations in last years ISA 260 report. The PCC/CC has implemented the one recommendation in our *ISA 260 Report 2013/14*.

Appendix 2 provides further detail.

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the PCC/CC's financial statements.**

**Before we can issue our opinion we require a signed management representation letter.**

**Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.**

#### **Declaration of independence and objectivity**

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Humberside PCC/CC for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Humberside PCC/CC, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

#### **Management representations**

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Responsible Finance Officers for presentation to the Joint Independent Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

#### **Other matters**

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the

financial reporting process; and

- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the PCC/CC's 2014/15 financial statements.

**Our VFM conclusion considers how the PCC/CC secures financial resilience and challenges how it secures economy, efficiency and effectiveness.**

**We have concluded that the PCC/CC has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.**

### Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the PCC/CC has proper arrangements in place for:

- securing financial resilience: looking at the PCC/CC's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the PCC/CC is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the PCC/CC to mitigate these risks and plan our work accordingly.

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

### Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

### Conclusion

We have concluded that the PCC/CC has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



**We did not identify any specific VFM risks in the work we carried out.**

### Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the PCC/CC's key business risks which are relevant to our VFM conclusion;
- evaluated and reviewed comparative costs of the PCC/CC with other similar organisations;
- considered any risks arising from reviews of minutes, attendance at the Joint independent Audit committee;
- 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/CC, inspectorates and review agencies and the local response in relation to these risk areas; and
- reviewed the medium term financial plan for future and budget setting and reporting in 2014/15.

### Key findings

There were no further risks to our VFM opinion identified in this work although there is one matter to report.

Following recommendations from the Home Affairs Select Committee in July 2013 many PCC/CC bodies are starting to set up ethics committees to help build public trust and confidence. Humberside PCC/CC has made limited progress in developing such a committee. A joint arrangement with South Yorkshire Police is under consideration but there are no firm plans or timescales to develop a Committee.

## Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The PCC/CC should closely monitor progress in addressing specific risks and implementing our recommendations.

### Priority rating for recommendations

**1** **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

**2** **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

**3** **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	<p><b>Ethics Committee</b></p> <p>Humberside PCC/CC has made limited progress in developing an ethics committee. A joint arrangement with South Yorkshire Police is under consideration but there are no firm plans or timescales to develop a Committee.</p> <p><b>Recommendation</b></p> <p>Humberside PCC and CC need to develop a clear plan with timescales and actions to develop an Ethics Committee.</p>	<p><b>Responsible Officer: Martin Scoble, Chief Executive</b></p> <p>The Commissioner and the Chief Constable remain committed to establishing an Ethics Committee. The preferred option was to seek to utilise the Panel already in place in South Yorkshire. The matter was discussed at the Joint Collaboration Board on 24 June 2015 when it was confirmed that the Panel would not be able to assist in the short term due South Yorkshire specific and capacity issues. The Humberside JIAC members will be consulted on the proposal to use the Committee as an interim measure until the South Yorkshire issues are resolved. Contacts are being made with academics who could potentially be co-opted to support existing members when acting as an Ethics Committee, if this is agreed.</p> <p><b>Due date: 31 December 2015</b></p>

## Appendix 2: Follow up of prior year recommendations

The PCC/CC has implemented the one recommendation in our ISA 260 Report 2013/14.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2013/14 and reiterates any recommendations still outstanding.

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2015
1	1	<p><b>IT policies and strategy</b></p> <p>These documents have been rolled forward from the Humberside Police Authority they need to be updated to reflect the PCC Group environment and risks</p>	<p><b>Paul Thustle</b> <b>Head of Information Services</b></p>	IT policies and strategies were updated during 2014.

**The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the PCC/CC.**

### Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

*“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Joint Independent Audit Committee

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

### General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the PCC/CC's financial statements.**

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

#### **Auditor declaration**

In relation to the audit of the financial statements of Humberside PCC/CC for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Humberside PCC/CC, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

**For 2014/15 our materiality is £3.5million for the PCC/CC's accounts.**

**Materiality**

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

In our audit plan we indicated that we expected the materiality threshold to be £4m. We reassessed materiality the start of the final accounts audit given the financial pressures facing the PCC/CC in 2014/15 and considering the level of general reserves and latest professional and regulator guidance. Materiality for the PCC/CC's accounts was set at £3.5m. We design our procedures to detect errors in specific accounts at a lower level of precision.

**Reporting to the Joint Independent Audit Committee**

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Joint Independent Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the PCC/CC, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £175,000 for the PCC/CC.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Joint Independent Audit Committee to assist it in fulfilling its governance responsibilities.

## Appendix 5: 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.

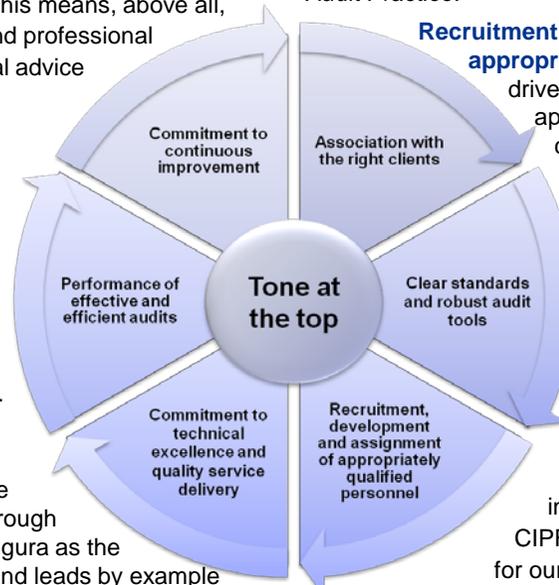
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

**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 drives of quality through a focused and consistent voice. Rashpal Khangura 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/CC's risks. We take great 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.
- 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*.
- 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.

**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 bring you up- the-minute and 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**

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.co.uk/audit-quality>)

The latest Annual Regulatory Compliance and Quality Report showed that we are meeting the overall audit quality and regulatory compliance requirements.



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