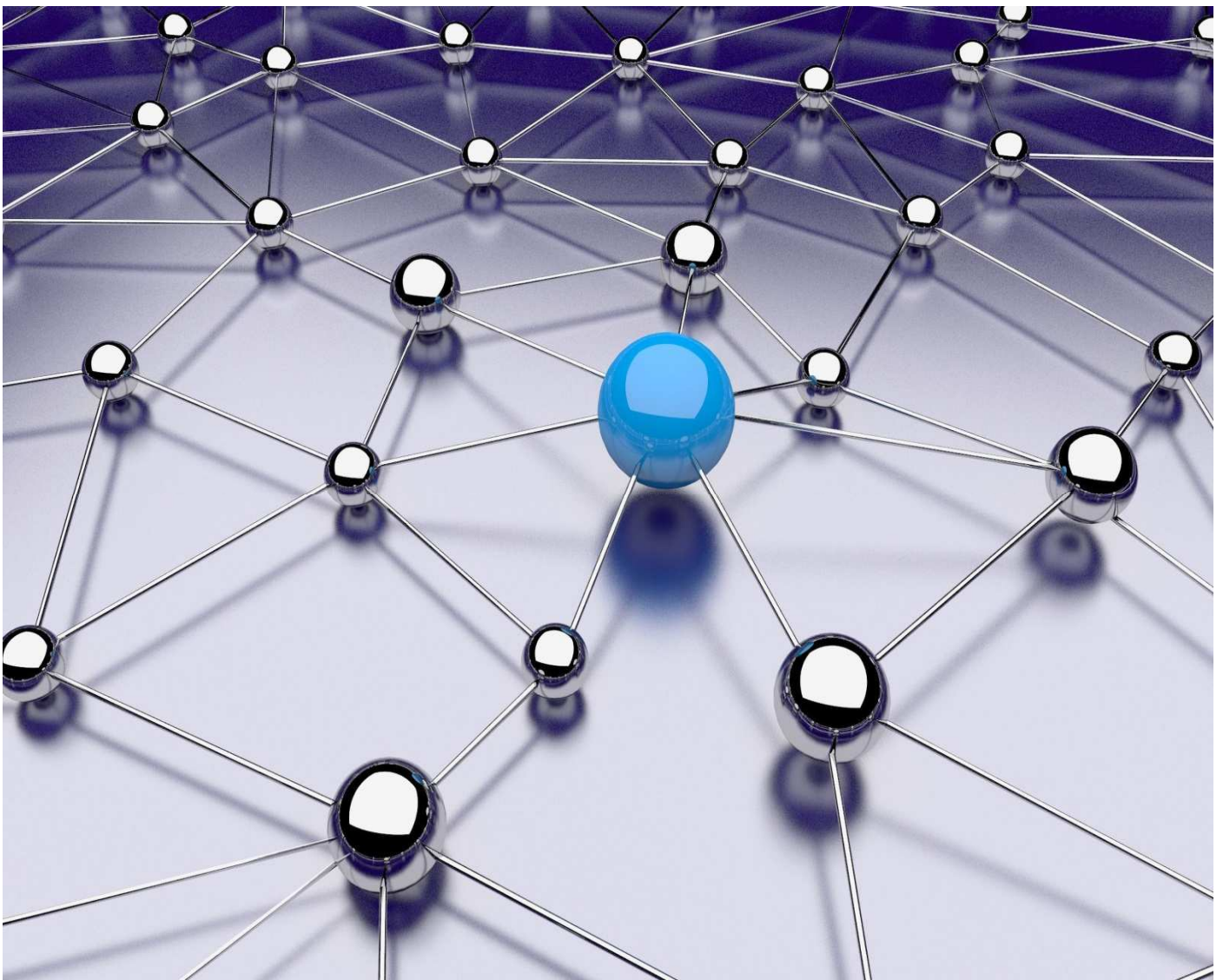


# Police and Crime Commissioner for North Yorkshire and Chief Constable for North Yorkshire

Progress report and briefing – 15 March 2016

2015/16



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Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and ‘Terms of Appointment’ issued by Public Sector Appointments Limited. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Commissioner and/or Chief Constable and we take no responsibility to any member or officer in their individual capacity or to any third party.

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.*

# 01 Purpose of this document

The purpose of this paper is to provide the Joint Independent Audit Committee (the Committee) with a report on progress in delivering our responsibilities as external auditor of the Police and Crime Commissioner for North Yorkshire (the Commissioner) and the Chief Constable for North Yorkshire (the Chief Constable).

This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Finally, please note our website address ([www.mazars.co.uk](http://www.mazars.co.uk)) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector – including Academies, Universities, Sixth Form Colleges and Housing Associations (both Internal and External Audit).

# 02 Progress on the audit

## Financial statements audit and value for money conclusion

Since the Committee last met, we have:

- held internal planning meetings as part of our planning process for the 2015/16 audit;
- had update meetings with finance and the Chief Finance Officers in respect of planning for the 2015/16 interim and final audit visits;
- undertaken planning work to refresh our documentation in respect of the Commissioner's and Chief Constable's systems (including undertaking walkthrough testing);
- refreshed our understanding of the processes in place at the Commissioner and Chief Constable that inform the preparation of the financial statements;
- undertaken our risk assessment as part of planning for our 2015/16 VFM conclusion; and
- developed and agreed our 2015/16 Audit Strategy Memorandum (Annual audit plan) with Officers which will be presented separately to the Committee at its 15 March 2016 meeting.

Our audit work is on track, and from our work carried out to date on the 2015/16 audits there are no matters which we need to bring to the attention of the Commissioner, the Chief Constable or the Committee at this stage.

Appendix 1 provides a summary of progress for our 2015/16 audit.

# 03 National publications and other updates

## Annual accounts update workshop

As in previous years, we have run annual accounts workshops, designed to inform practitioners of the main changes impacting on the preparation of the financial statements, along with any future accounting and financial reporting changes. Invites were sent to key officers who attended in January. Key topics included:

- replacement of the Explanatory Foreword (to the financial statements) with a new-style enhanced 'narrative statement';
- changes to the regulations surrounding the advertisement of the audit; and
- other accounting changes, including fair value measurement.

## North East and North Yorkshire governance forums

We have recently run two governance forums for Members and Officers, one in the North East and one in the North Yorkshire region, with the aim of promoting good governance, sharing ideas and best practice; these have been well-received and we plan to run further sessions later in the year.

Suggested objectives for the forums have been to:

- promote good practice in governance;
- facilitate dialogue, debate and sharing of ideas among those providing governance oversight;
- horizon scanning to ensure that the forum is briefed on the latest developments and key topical issues; and
- provide a safe and valued forum for discussion.

The forums are intended to be a platform for open and confidential two-way discussion, however the types of topics discussed have included:

- Audit Committee effectiveness;
- devolution; and
- future issues (horizon scanning).

## Oversight of audit quality: quarters 3 2015/16, Public Sector Audit Appointments Ltd, January 2016

PSAA have published the quarter 3 2015/16 compliance monitoring reports for all audit suppliers. Mazars' report can be accessed here:

<http://www.psa.co.uk/audit-quality/principal-audits/mazars-audit-quality/>

There are no significant issues arising highlighted in respect of Mazars LLP in the report.

## **Updated value for money conclusion guidance, National Audit Office, November 2015**

The National Audit Office has published updated guidance in respect of the Value for Money (VfM) conclusion. The guidance sets out the revised criterion applying to 2015/2016 audits and consists of an overarching document, along with a police-specific paper which provides details of supporting background information on key issues facing local authorities. They can be found here:

Overarching guidance: <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Auditor-Guidance-Note-03-VFM-Arrangements-Work-09-11-15.pdf>

Police-specific background: <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

## **Supporting the transition, Public Sector Audit Appointments Ltd, February 2016**

Public Sector Audit Appointments Ltd (PSAA) has published its Corporate Plan for the period to 2018. The Plan sets out how the company will discharge the functions delegated to it by the Secretary of State for Communities and Local Government which include managing audit contracts originally let by the Audit Commission and supporting a smooth transition to the new audit regime introduced by the Local Audit and Accountability Act 2014.

PSAA's work programme involves two parallel strands: ensuring that the existing audit contracts continue to deliver good quality and positive value for audited bodies and effective assurance to the public; and, providing as much support as possible to assist local bodies to prepare for, and be ready to meet, their new responsibilities as the legislation is fully implemented.

The plan was informed by the fact that the timetable for the expiry of the existing audit contracts is now clear. For NHS bodies and smaller local authorities (mainly parishes and internal drainage boards) existing arrangements will cover the audits up to and including 2016/17. For these bodies the new regime will therefore apply to the audits of the financial year 2017/18 and onwards. For principal local authorities and criminal justice bodies the existing arrangements are expected to run for a further year covering the audits up to and including 2017/18. For these bodies the new regime will apply to 2018/19 audits and beyond.

As part of its role in supporting local bodies to prepare for their responsibilities under the new regime, PSAA has set up on its website a dedicated Supporting the transition area containing resources to assist local public bodies in making the transition to the new arrangements.

<http://www.psa.co.uk/supporting-the-transition/>

A further important aspect of PSAA's work in relation to the new regime will involve working with the Local Government Association and the Improvement and Development Agency to explore the feasibility of PSAA seeking to become a 'sector-led body' with the ability to enter into contracts and appoint auditors to local bodies in the new regime. Further information will be provided on PSAA's website as this work progresses.

## **Guidance for Directors of companies partly or fully owned by the public sector, January 2016**

This guidance, which has been published by the Cabinet office, is to help directors of companies owned by the public sector, in full or in part, to understand their duties and responsibilities, including identifying and managing conflicts of interest. As local government and related bodies increasingly explore alternative models of service delivery, including establishing local authority trading companies, this guidance is of relevance.

<https://www.gov.uk/government/publications/guidance-for-directors-of-companies-fully-or-partly-owned-by-the-public-sector>

An additional guidance paper referred to in the Cabinet Office report is a National Audit Office paper produced in January 2015 on Conflicts of Interest. This is also of relevance to authorities that are operating in an increasingly complex environment of related entities.

<https://www.nao.org.uk/report/conflicts-interest-2/>

### **Results of auditor's work 2014/2015: local government bodies, Public Sector Audit Appointments Ltd, December 2015**

This is the first report for local government bodies published by Public Sector Audit appointments Ltd (PSAA), and it summarises the results of auditors' work at 509 principal bodies and 9,755 small bodies for 2014/2015. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.

The timeliness and quality of financial reporting for 2014/2015 remained broadly consistent with the previous year for both principal and small bodies. Against a background of financial challenges, the sector is clearly working hard to achieve appropriate standards in its stewardship of resources.

Auditors at 97 per cent of principal bodies were able to issue the opinion on the 2014/2015 accounts by 30 September 2015, with 23 bodies receiving an unqualified audit opinion by 31 July 2015. For the second year in a row there have been no qualified opinions issued to date to principal bodies (at the time of this report being written). The number of qualified conclusions on value for money arrangements remained consistent with the previous year at 4 per cent.

For small bodies, auditors were able to issue their opinion on the annual return by 30 September 2015 at 99 per cent of parish councils and internal drainage boards. This is consistent with the previous year.

<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

### **Mazars: Public services blog 'Let's talk public services'**

Mazars has launched a blog 'Let's talk public services' where Mazars' team of auditors and advisors working with UK public service organisations can provide a place in which public service practitioners can exchange experience and ideas relevant to their jobs. The blog can be found here:

<http://blogs.mazars.com/lets-talk-public-services>

### **Cipfa: Guide to auditor panels**

This publication is aimed at those within local authorities who will have a role to play in deciding how and who to appoint as their organisation's local auditors.

It has been commissioned by DCLG, and a working group including DCLG, NAO, Public Sector Audit Appointments Limited (PSAA) and other stakeholders have ensured that the guidance is relevant and specific to authorities.

## **Cipfa: An Introductory Guide to Local Government Finance, 2015 edition**

2015/16 has seen a change in the landscape of local government with the growth of the devolution agenda. The pace of fiscal devolution has been slower and pressure is still being brought to bear for greater freedoms for local authorities around the financing of local services. These freedoms are not reflected in the current financing options but with the changes to business rates in Manchester and Cambridge and the debates currently taking place, the issue of how local government is financed will continue to be important.

The Cipfa publications can be found here:

<http://www.cipfa.org/policy-and-guidance/publications?tab=&filters=%7b7D9EAA93-8748-4746-9B73-E0D7A0A7695%7d#filters>



# 04 Contact details

Please let us know if you would like further information on any items in this report.

[www.mazars.co.uk](http://www.mazars.co.uk)

Cameron Waddell  
Partner  
0191 383 6300

[cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk)

Gareth Roberts  
Senior Manager  
0191 383 6323

[gareth.roberts@mazars.co.uk](mailto:gareth.roberts@mazars.co.uk)

Address: Rivergreen Centre,  
Aykley Heads,  
Durham,  
DH1 5TS.

# Appendix 1 – Position statement of 2015/16 audits

Planned output	Expected completion date	Draft report issued to management	Final report issued to management	Final report presented to Joint Independent Audit Committee	Comments
2015/16 Audit Fee Letters (individual letters for Commissioner and Chief Constable).	April 2015	~	1 April 2015	~	~
Audit Committee Progress Report and Briefing (joint for both Commissioner and Chief Constable).	~	~	~	~	To each and every meeting.
2015/16 Audit Strategy Memorandum (individual plans for Commissioner and Chief Constable).	March 2016	25 February 2016	4 March 2016	March 2016	~
2015/16 Audit Completion Reports, incorporating opinion on the financial statements and VfM Conclusion (individual for Commissioner and Chief Constable).	September 2016				
2015/16 Annual Audit Letters (individual for Commissioner and Chief Constable).	October 2016				