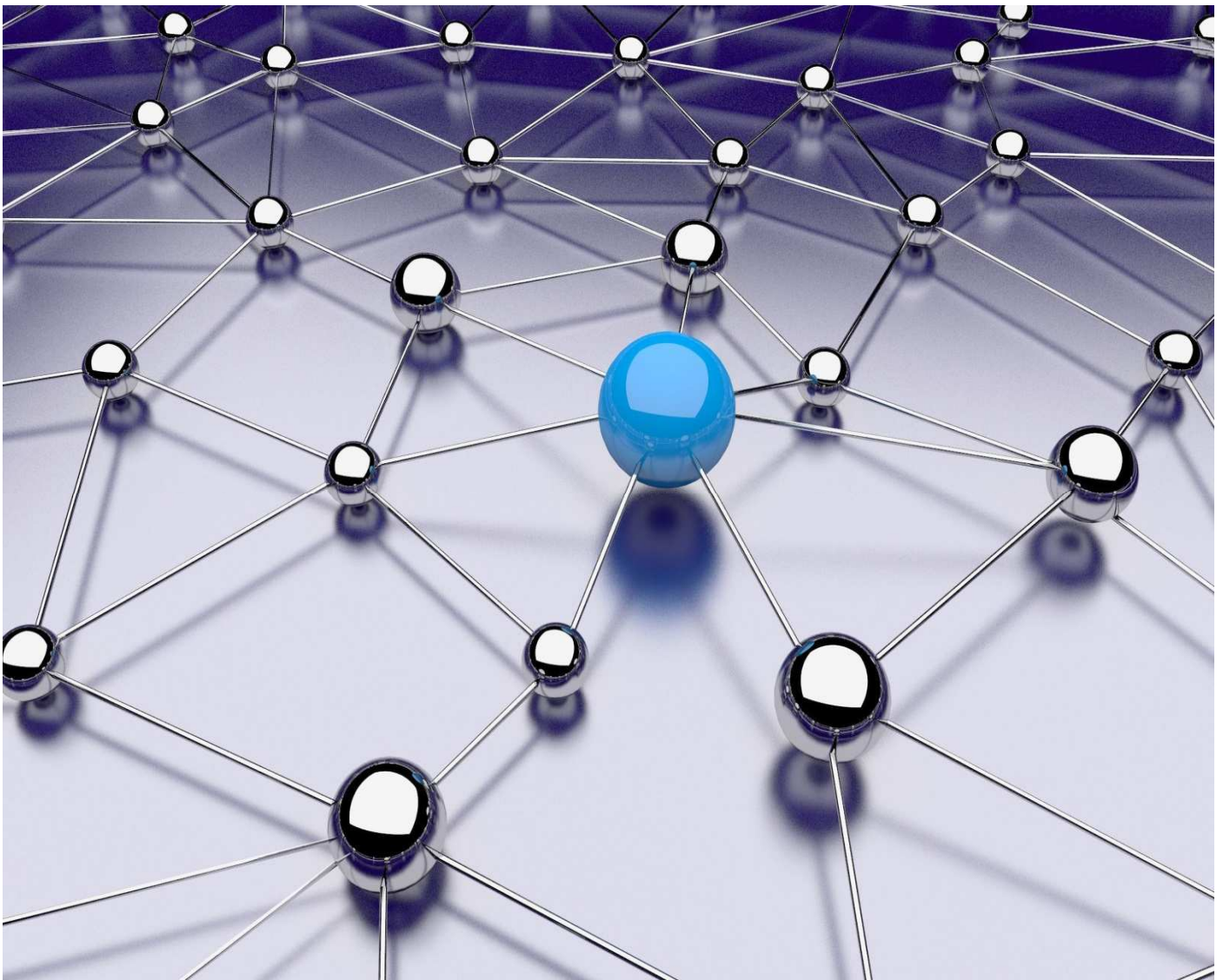


Police and Crime Commissioner for North Yorkshire and Chief Constable for North Yorkshire

Progress report and briefing – 14 June 2016

2015/16



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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) 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

The Committee will recall that we presented our 2015/16 Audit Strategy Memorandum for the Commissioner and for the Chief Constable at its March 2016 meeting.

Since the Committee last met we have:

- had on-going liaison with the Commissioner and Chief Constable's Chief Finance Officers around topical and specific accounting issues for the 2015/16 financial statements;
- continued to update our planning in readiness for our audit of the financial statements, such as completion of our IT risk assessment, ongoing review of agendas/minutes and Decision Notices;
- progressed our work in respect of our arrangements to secure 'value for money' conclusion, placing reliance on Internal Audit where possible; and
- undertaken some early work in June on aspects of the 2015/16 financial statements.

Our audit work is on track, and there are no matters arising which we need to bring to the attention of the Committee at this stage of our audit. There are no changes to the significant risks we identified in our 2015/16 Audit Strategy Memorandum presented to the March meeting.

The next stage of our audit is our next tranche of on-site work on the financial statements which is due to take place in August. We are aiming for our audit to be substantially complete by the end of August. This is of course subject to any late developments and assurance we obtain from other auditors such as the assurance we seek from the auditor of the North Yorkshire County Council pension fund.

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

03 National publications and other updates

English Devolution deals, National Audit Office, April 2016

Devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended, according to the National Audit Office.

Over the last 18 months, 10 devolution deals have been agreed, outlining the transfer of powers, funding and accountability for policies and functions previously undertaken by central government, in Greater Manchester, Cornwall, Sheffield City Region; the North East; Tees Valley; Liverpool City Region; the West Midlands, East Anglia; Greater Lincolnshire; and the West of England. They are the latest in a range of initiatives and programmes designed to support localism and decentralisation.

HM Treasury and the Cities and Local Growth Unit are responsible for managing the negotiation, agreement and implementation of devolution deals on behalf of central government as a whole. All of the deals include an agreement on devolved responsibility for substantial aspects of transport, business support and further education. Other policy areas included in some of the deals are housing and planning, employment support and health and social care.

The government has announced new additional investment funding of £246.5 million a year alongside the devolution deals announced so far. Over time, the government intends to combine this funding with a number of other funding streams into a 'single pot' to enable more local control over investment decisions, and has announced £2.86 billion of initial allocations over 5 years for the first 6 mayoral devolution deals.

Central government's management approach to brokering devolution deals is designed to support its policy of localism. The government considers that devolution proposals should be led by local areas, and that central government's role should be to respond to these proposals. As a result, the government has decided not to set out a clear statement of what it is trying to achieve through devolution deals.

According to the NAO, however, there are significant accountability implications arising from the deals which central government and local areas will need to develop and clarify. These include the details of how and when powers will be transferred to mayors and how they will be balanced against national parliamentary accountability. The deals agreed so far involve increasingly complex administrative and governance configurations. And as devolution deals are new and experimental, good management and accountability both depend on appropriate and proportionate measures to understand their impact.

To improve the chances of success, and provide local areas and the public with greater clarity over the progression of devolution deals, central government should clarify the core purposes of devolution deals as well as who will be responsible and accountable for devolved services and functions, and should ensure it identifies and takes account of risks to devolution deals that arise from ongoing challenges to the financial sustainability of local public services.

<https://www.nao.org.uk/report/english-devolution-deals/>

The tri-service review of the Joint Emergency Services Interoperability Principles, HMIC, April 2016

The HMIC recently published a review on how the police, fire and ambulance services work together during major incidents. The review found that coherent and routine working is yet to be embedded across the police, fire and ambulance services. There were some isolated but positive examples, but a highly inconsistent national picture.

The Joint Emergency Services Interoperability Programme (JESIP) was established to address the issue of interoperability across the blue light services.

Several observations emerge from the review:

- all three services across the country recognise the importance of interoperability and consider that JESIP provides a welcome focus and structure to develop the associated skills;
- JESIP was driven top-down whereas if it is to become fully embedded then it needs to be part of the initial and continuation training and shared across the wider responder community such as the Maritime and Coast Guard Agency and Border Agency;
- central guidance and direction remains necessary to provide the focus and drive to ensure JESIP remains a high priority; and
- all three services have very different historical backgrounds, ethos and cultures. Improving interoperability has been and will remain a challenge. The introduction of METHANE3 (mnemonic for passing information in an agreed standard format) as a method of sharing situational awareness is a step forward but it needs to be used more frequently so that it becomes part of normal day-to-day business.

<http://www.justiceinspectors.gov.uk/hmic/publications/the-tri-service-review-of-the-joint-emergency-services-interoperability-principles/>

March 2016 Budget, HM Treasury

Something which hasn't been widely reported outside of the public sector, is that the Government is set to reduce the discount rate used to set employer contributions to the unfunded public service pension schemes, resulting in increased employer contributions from 2019-20.

The discount rate is reviewed every five years and is based on the OBR's long term projections of GDP growth. The March 2016 Budget sets out that the recent assessment has resulted in a reduction in the discount rate which will increase the contributions employers pay to the schemes from 2019-20 onward. The Chancellor said that this will ensure that the costs of providing pension benefits in the future are fairly reflected in the contributions paid by employers.

The discount rate does not affect the total cash spent each year on public sector pensions; what it does affect is the split between the amount funded by employee and employer contributions and the Treasury balancing item. The discount rate will be reduced from 3% to 2.8% which doesn't seem like a lot but figures show that the Chancellor is expecting to raise circa £2bn in 2019-20, and also in 2020-21 through this change across all unfunded public service pension schemes.

The Treasury has not set out details on how these costs will fall on individual employers. However, to give some context, it has been estimated that contributions to the Police Pension Schemes could increase by more than £100m. It is important to assess the impact of this change on employer contributions payable to the Police Pension schemes as soon as possible as the impact may be significant.

<https://www.gov.uk/government/topical-events/budget-2016>

Oversight of audit quality: quarterly compliance reports 2015/16 Q4, Public Sector Audit Appointments, April 2016

There are no significant issues arising highlighted in respect of Mazars LLP in the latest quarterly report (quarter 4 of 2015/2016), scoring green across all measures.

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

Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales, CIPFA

Whilst not yet published, we would highlight the imminent publication of updated guidance notes for policing bodies by CIPFA.

These guidance notes are intended to assist police and crime commissioners (PCCs), chief constables (CCs) and associated organisations and systems – strategic alliances and other collaboration arrangements, partnerships and other vehicles established by PCCs – in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self-assessment.

Police bodies continue to undergo significant change, much of which has been driven by the austerity measures, but also by the continuing police reform agenda. PCCs and CCs are being urged to transform the way in which policing services are delivered, in collaboration with other police forces, local emergency services and other local agencies.

Despite the protection of overall police budgets, PCCs and CCs will still need to make difficult decisions on the future of policing services to meet changes in demand for policing services and reflect more efficient and effective working with other blue light services. They will also need to communicate such decisions effectively to their officers, staff, communities, service users and partners to ensure public safety, crime reduction and the protection of the most vulnerable citizens.

Whether working with local authorities, public sector bodies, the third sector or private sector providers, PCCs and CCs must ensure that robust governance arrangements are established at the outset which provide for a shared view of expected outcomes supported by effective mechanisms for control and risk management thereby ensuring that the public purse is properly protected.

<http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-guidance-notes-for-policing-bodies-in-england-and-wales-2016-edition>

04 Contact details

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

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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				