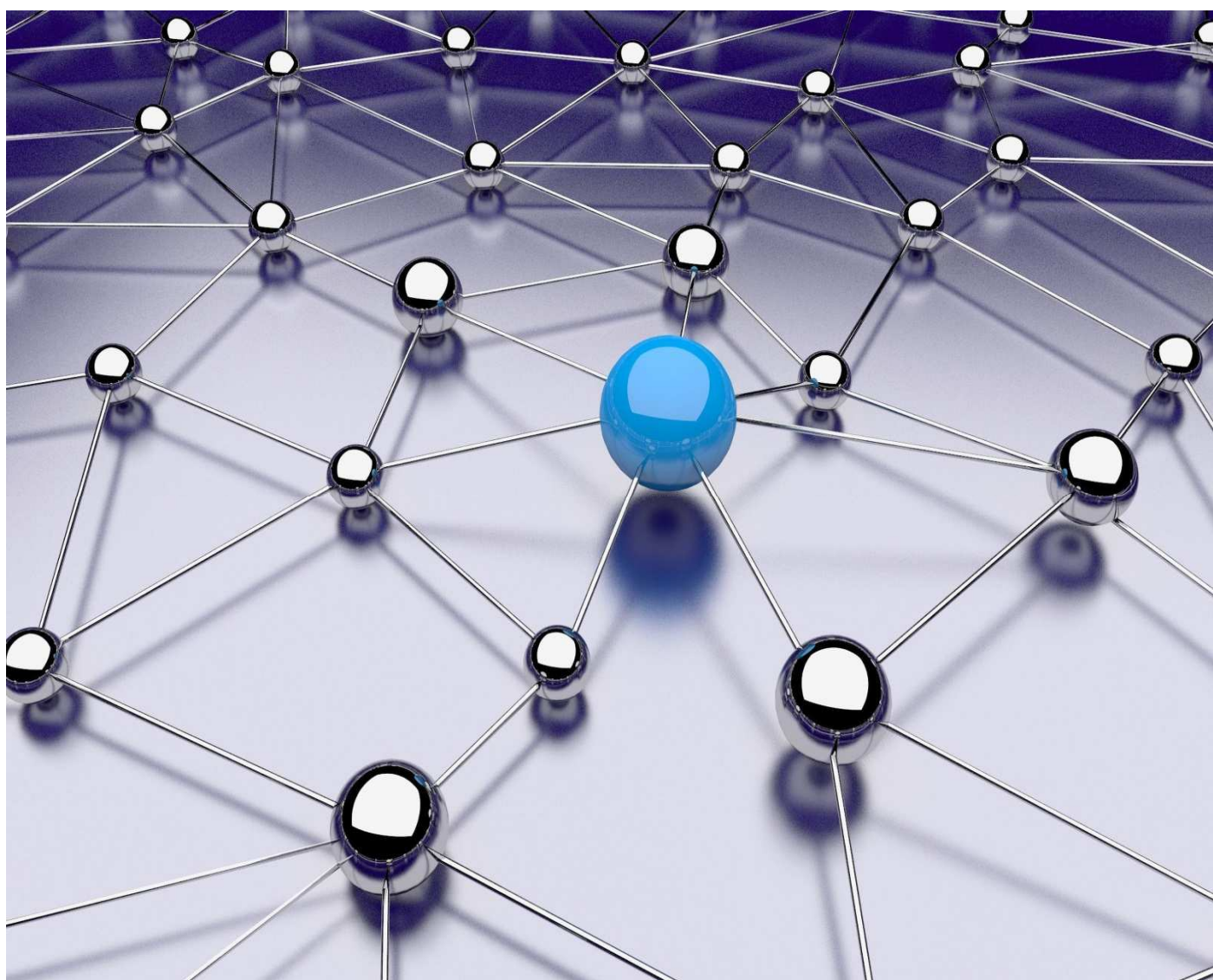


# Police and Crime Commissioner for North Yorkshire and Chief Constable for North Yorkshire

Progress report and briefing – 13 December 2016

2016/17



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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

## **2015/16 financial statements audit and VFM conclusion**

At the Committee's September meeting, we reported, including our update letter and verbal update, that we had completed our work on the 2015/16 Commissioner's and Chief Constable's financial statements and VFM conclusion, subject to final closing procedures.

Following the meeting, on 28 September 2016, we issued an unqualified:

- opinion on the Commissioner's and Chief Constable's 2015/16 financial statements; and
- value for money conclusion for both the Commissioner and the Chief Constable.

Since the Committee last met we have also prepared, agreed and issued our Annual Audit Letters for the Commissioner, and for the Chief Constable for the 2015/16 audit year. The reports will be presented to the Committee at its December 2016 meeting.

## **2016/17 financial statements audit and VFM conclusion**

This is our first progress report in respect of the 2016/17 audit year; in the coming quarter we will carry out our initial planning for the 2016/17 audit year.

For our audits of the Commissioner and the Chief Constable, we will:

- carry out our initial planning in respect of 2016/17, refreshing our understanding of the arrangements in place and what we consider are the significant risks of material misstatement in respect of the financial statements and also the Value for Money (VfM) conclusion in order to inform our testing strategy;
- update our documentation and carry out a walkthrough test of each of the key financial systems;
- on-going liaison with Internal Audit to reduce the risk of duplication. This includes updating our External audit / Internal audit protocol;
- on-going liaison with the Commissioner, Chief Constable and senior officers (next meeting is proposed for January 2017).

Our detailed Audit Strategy Memorandum (Annual Audit Plan) will set out our planned work and assessments in more detail and we will present the plans to the next Committee meeting.

Appendix 1 provides a summary of our planned outputs for our 2016/17 audits.

# 03 National publications and other updates

## Regularity, Compliance and Quality Report 2015-16, PSAA, August 2016

Public Sector Audit Appointments Ltd (PSAA) is currently responsible for appointing your external auditor, and assessing the performance of all appointed auditors. This consists of monitoring both the quality of the work undertaken and the regulatory compliance of all firms appointed under the Local Audit and Accountability Act.

The audit quality and regulatory compliance monitoring for 2015/16 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit quality monitoring reviews (QMRs) of its financial statements, Value for Money (VFM) conclusion and housing benefit (HB COUNT) work;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of the inspection of each firm by the FRC's Audit Quality Review team (AQR) as part of PSAA's commissioned rolling inspection programme of financial statements and VFM work;
- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firm's systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2014/15 work.

PSAA has recently completed this process for 2015/16. A 'RAG' rating system is used, and we are delighted to inform you that Mazars is one of only two firms that have been consistently graded 'green' in all areas, scoring joint-highest for quality of work undertaken, and highest for client satisfaction.

### 2016 Comparative performance for audit quality and regulatory compliance

BDO Green	Deloitte Green	EY Green	GT Amber	KPMG Amber	Mazars Green	PwC Amber
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### 2015 Comparative performance for audit quality and regulatory compliance

BDO Amber	Deloitte Amber	EY Green	GT Amber	KPMG Amber	Mazars Green	PwC Amber
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Areas for improvement were identified in the report, and we are committed to acting on the recommendations and further strengthening our audit approach for 2016/17.

The report has been attached to this report for the information of the Audit and Governance Committee, and can also be found at: <http://www.psa.co.uk/audit-quality/>

### **Local Public Service Reform, NAO, September 2016**

The NAO undertook research early in 2016 to ascertain:

- How local public service reform is being pursued in eight places in England;
- What the enablers and barriers are; and
- How the Government is supporting reform at a local level.

In September 2016 they published a report summarising their findings and identifying sources of help for public services needing to redesign services to be financially sustainable. The report concludes that by working together, and with service users and citizens local public services can both improve outcomes and save money but a strategy is needed that:

- prevents or reduces demand for costly services;
- makes it easier for people to get access to the support they need; and
- redesigns services to meet people's needs in a more integrated and effective way.

The report is available on their website.

<https://www.nao.org.uk/report/local-public-service-reform/>

### **Understanding Local Authority Financial Statements, CIPFA, September 2016**

This publication updates previous CIPFA guidance designed to make the complex financial statements required for local (including fire) authorities more understandable. The 2016/17 Code includes a revised format that is closer to that used for management reporting during the year. The document describes the changes and identifies opportunities to simplify presentation and make the messages clearer regarding:

- Comparison with budgets;
- Reserves positions; and
- Cash Flow.

<http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/simplification-and-streamlining-the-presentation-of-local-authority-financial-statements>

### **Alternative Delivery Models, CIPFA, October 2016**

Alternative service delivery models of various shapes and sizes are increasingly being used to deliver a growing number and range of public services in many locations in the UK.

An alternative delivery model can be a different way of managing, collaborating and contracting, or it can involve the establishment of a completely new organisation that could be wholly, or partly owned by the parent body or a completely independent enterprise.

They range from small community-based initiatives, employee led spin outs (large and small), local authority companies, to substantial multi-stakeholder partnerships involving private and public sector organisations.

At their best, these new models can provide greater flexibility and dynamism, while maintaining continued commitment to public service and wellbeing.

This combination of innovation in public enterprise and public/social purpose can make them effective vehicles for improving service outcomes.

<http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-to-alternative-delivery-models-online>

# 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 2016/17 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
2016/17 Audit Fee Letters (individual letters for Commissioner and Chief Constable).	April 2016	~	April 2016	~	~
Audit Committee Progress Report and Briefing (joint for both Commissioner and Chief Constable).	~	~	~	~	To each and every meeting.
2016/17 Audit Strategy Memorandum (individual plans for Commissioner and Chief Constable).	March 2017				
2016/17 Audit Completion Reports, incorporating opinion on the financial statements and VfM Conclusion (individual for Commissioner and Chief Constable).	September 2017				
2016/17 Annual Audit Letters (individual for Commissioner and Chief Constable).	October 2017				