

Audit Completion Report

Chief Constable of North Yorkshire Police



For the year ended 31 March 2017

7 August 2017



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

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1. Executive summary

Purpose of this report

The Audit Completion Report sets out the findings of our audit of the Chief Constable of North Yorkshire Police (the Chief Constable) for the year ended 31 March 2017, and forms the basis for discussion at the Joint Independent Audit Committee meeting on 19 September 2017.

The scope of our work and overall summary

The detailed scope of our work as your appointed auditor for 2016/17 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and include the matters outlined in the following table.

Financial statements	<p>In our Audit Strategy Memorandum we reported that materiality for the financial statements as a whole was set at £3.149 million. We have updated our assessment as part of our continuous planning processes and have set materiality at £3.186 million. Our clearly trivial threshold for reporting matters to you has been set at £96,000.</p> <p>We communicated identified significant risks to you as part of our Audit Strategy Memorandum in March 2017. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk.</p> <p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor's report is provided in Appendix C.</p>
Identified misstatements	<p>Our work identified a small number of misstatements that have been discussed with management. A summary of the identified misstatements is provided in Appendix A.</p>
Value for Money	<p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate concluding that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our draft auditor's report is provided in Appendix C.</p>

The status of our work

At the end of July, in line with our planned timeline agreed with officers to get ready for the new deadlines coming into effect in 2017/18, we have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017.

At the time of preparing this report, there are a small number of matters that remain outstanding:

Outstanding matter	We await the information we require from the local government pension fund administering authority's auditor (expected by the end of August 2017), and as such when we receive it we will review it and consider the assurance and implications for our audit.	Outstanding matter	Review and closure processes, including checking the amended version of the financial statements produced by finance as a result of our audit.
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The following matters are outstanding and are usually done just prior to signing the audit opinion (planned for September 2017):

Outstanding matter	Review of Events after the Balance Sheet date.	Outstanding matter	Final review and closure processes.
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We will provide an update to you in relation to these outstanding matters in a follow up letter prior to giving our opinion.

2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 'Communication with those charged with governance'.

Significant risks

As part of our planning procedures we considered the risks of material misstatement in the Chief Constable's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we will mitigate these risks. No new risks have been identified since we issued our Audit Strategy Memorandum. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit conclusion
<p>Management override of control (relevant to single entity and group accounts)</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates affecting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention and identified no indication of management override.</p>
<p>Revenue Recognition (relevant to single entity and group accounts)</p> <p>There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk.</p>	<p>We performed procedures to establish that income is included in the correct year.</p>	<p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.</p>

Significant risk	How we addressed the risk	Audit conclusion
<p>Pensions entries (IAS 19) (relevant to single entity and group accounts) The financial statements are likely to contain material pensions entries in respect of retirement benefits.</p> <p>The calculation of these pensions figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions.</p> <p>This results in an increased risk of material misstatement.</p>	<p>We discussed with key contacts any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we:</p> <ul style="list-style-type: none"> evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuaries; requested assurance from the auditor of the Local Government Pension Fund; and considered the reasonableness of the actuaries outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office. 	<p>Subject to our review of the response from the local government pension scheme auditor, our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. Our work identified no indication of material estimation error in respect of pensions.</p>

Qualitative aspects of the Chief Constable's accounting practices

We are required to communicate to you our views on the significant qualitative aspects of the Chief Constable's accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
Accounting policies and disclosures	We have reviewed the Chief Constable's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting (the Code). In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.
Quality of the draft financial statements	We received draft financial statements from management before the deadline, and found them to be of good quality.
Quality of supporting working papers	Producing high-quality working papers is as crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. We have found the working papers to be good quality overall and the finance team responsive to our queries.

Significant matters discussed with management

We have not discussed any significant matters with management, other than usual meetings and discussions to obtain audit evidence and challenge management judgments.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

3. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit

Significant deficiencies in internal control

Our 2016/17 audit has not identified any significant deficiencies to report, and none were reported in 2015/16 to follow up.

procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below.

4. Value for Money Conclusion

Our approach to Value for Money

We are required to form a conclusion as to whether the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making.
- Sustainable resource deployment.
- Working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p><i>Acting in the public interest, through demonstrating and applying the principles and values of sound governance</i></p> <ul style="list-style-type: none"> • Governance framework in place. • Working towards the Police and Crime Plan in place. • Police and Crime Panel in place. • Joint Independent Audit Committee in place <p><i>Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management</i></p> <ul style="list-style-type: none"> • Performance monitored and reviewed, and regular reporting of financial and performance information. • Medium term planning (MTFP) undertaken and plans in place, and updated routinely. <p><i>Reliable and timely financial reporting that supports the delivery of strategic priorities</i></p> <ul style="list-style-type: none"> • Performance is reported against the Police and Crime Commissioner’s (PCC’s) Police and Crime Plan which is in place. • MTFP updated routinely, as above. <p><i>Managing risks effectively and maintaining a sound system of internal control</i></p> <ul style="list-style-type: none"> • Risk register and risk management arrangements in place. Risks reported to Audit Committee and regular reporting by Internal Audit. • Annual governance statement prepared, reviewed and approved. 	Yes

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p><i>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</i></p> <ul style="list-style-type: none"> • Financial and performance reports demonstrate a history of achieving financial targets. • MTFP updated for latest funding settlement, and programme in place to make efficiencies in order to reinvest in services. <p><i>Managing and utilising assets effectively to support the delivery of strategic priorities</i></p> <ul style="list-style-type: none"> • Asset replacement needs/programme informs the PCC's Capital Strategy. <p><i>Planning, organising and developing the workforce effectively to deliver strategic priorities</i></p> <ul style="list-style-type: none"> • HR policies and procedures in place and recruitment planning in place. 	Yes
Working with partners and other third parties	<p><i>Working with third parties effectively to deliver strategic priorities and commissioning services effectively to support the delivery of strategic priorities</i></p> <ul style="list-style-type: none"> • Examples of partnership working in place to reduce costs and improve service delivery such as: <ul style="list-style-type: none"> ○ Regional collaboration in Yorkshire and Humber, ○ Project Evolve with Durham and Cleveland; ○ Estates collaboration with North Yorkshire Fire and Rescue Service, and Selby District Council; and ○ Back office services shared with the PCC, where appropriate. <p><i>Procuring supplies and services effectively to support the delivery of strategic priorities</i></p> <ul style="list-style-type: none"> • Written procurement procedures and policies in place. 	Yes

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Chief Constable being inadequate. We did not identify any significant risks at the planning stage of our audit, and as such did not report any in our Audit Strategy Memorandum. We have kept this under review throughout our audit and are satisfied that there are no significant risks apparent in respect of VFM.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix C states that we intend to issue an unqualified Value for Money conclusion for the 2016/17 financial year.

Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £96,000, are set out below.

The first table outlines the identified misstatements which management has assessed as not being material, either individually or in aggregate to the financial statements, and does not currently plan to adjust.

The second table outlines the misstatements management has agreed to adjust.

Unadjusted misstatements 2016/17				
	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
There are no unadjusted misstatements to report.				

Adjusted misstatements 2016/17				
	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
There are no adjusted misstatements to report.				

Disclosure amendments

Our audit has identified the following that management have agreed to amend:

- three prior year comparatives (for 2015/16) that were misstated in the 2016/17 statements;
- Note 21 required updating to ensure consistency between the disclosure and other areas of the statements; and
- a small number of minor presentational, disclosure and consistency matters.

Appendix B – Draft management representation letter

Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS

[Date]

Dear Sirs

Chief Constable of North Yorkshire Police - audit for year ended 31 March 2017

This representation letter is provided in connection with your audit of the statement of accounts for the Chief Constable of North Yorkshire Police for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the organisation you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all relevant meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Chief Constable's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Chief Constable in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Chief Constable have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Chief Constable has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Chief Constable involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Chief Constable's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Chief Constable's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may

necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Chief Constable will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Chief Finance Officer

Date.....

Appendix C – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF NORTH YORKSHIRE POLICE

Opinion on the financial statements

We have audited the financial statements of the Chief Constable of North Yorkshire Police for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Police Pension Fund Account, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the Chief Constable of North Yorkshire Police, in accordance with Part 5 of the Local Audit and Accountability Act 2014 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable of North Yorkshire Police, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of North Yorkshire Police's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of North Yorkshire Police as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Narrative Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on the Chief Constable of North Yorkshire Police's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Chief Constable of North Yorkshire Police and the auditor

The Chief Constable of North Yorkshire Police is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Chief Constable of North Yorkshire Police has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable of North Yorkshire Police's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required to conclude whether the Chief Constable of North Yorkshire Police has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable of North Yorkshire Police had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General, we are satisfied that in all significant respects, the Chief Constable of North Yorkshire Police put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable of North Yorkshire Police in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Cameron Waddell
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS

[Date]

Appendix D – Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.