

Audit progress report

Police and Crime Commissioner for
North Yorkshire

Chief Constable of North Yorkshire

October 2018





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1. AUDIT PROGRESS

Purpose of this report

This provides the Joint Independent Audit Committee with progress in delivering our responsibilities as your external auditors.

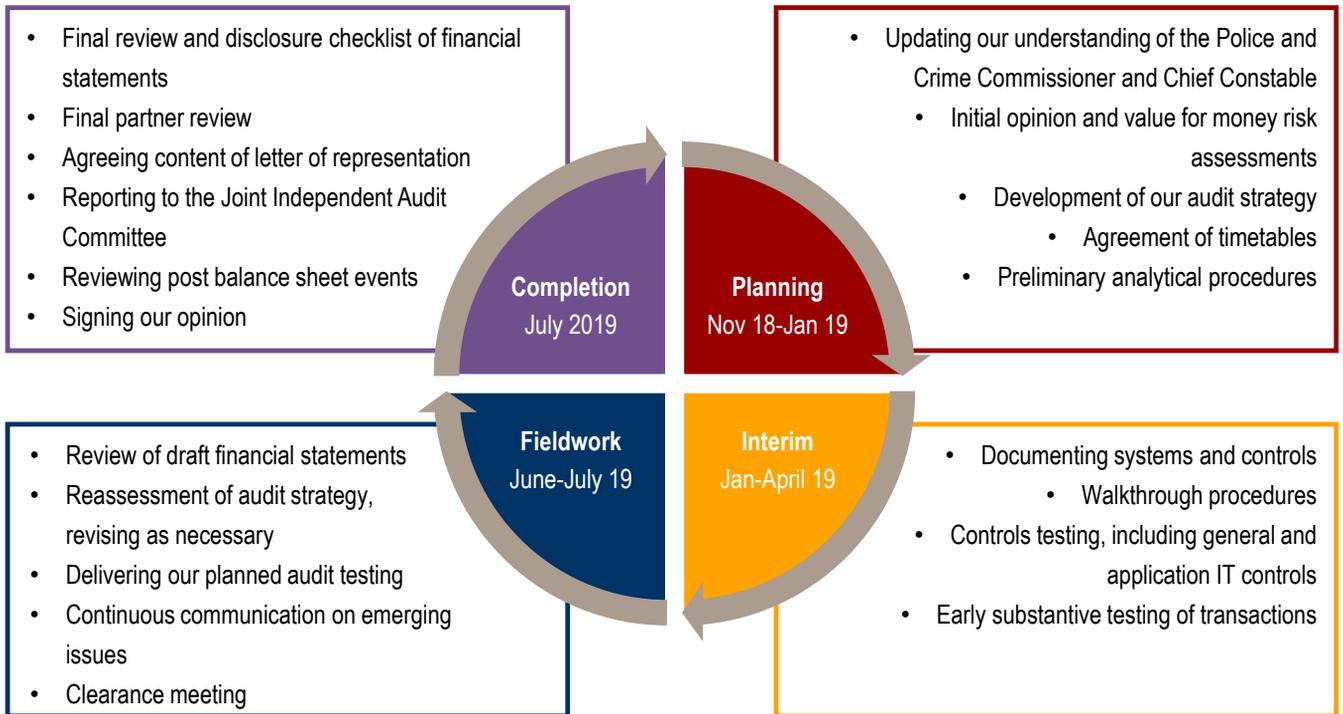
2017/18 Audit

The 2017/18 audit was completed earlier in the year. An unqualified audit opinion and unqualified VFM conclusion were issued on the 26 July 2018. The audit certificate formally closing the audit was also issued on the same date. We have now issued our Annual Audit Letter and this is included for information as a separate agenda item for this meeting.

2018/19

This is our first progress report for the 2018/19 audit year. Our key audit stages are summarised in the diagram below for both the Police and Crime Commissioner and Chief Constable. Upon completion of our initial planning and risk assessment, we will present our Audit Strategy Memorandum to the Joint Independent Audit Committee for discussion.

Following the recent national procurement for external audit, run by Public Sector Audit Appointments Ltd (PSAA), we have appointed a number of new public sector engagement leads and revisited the portfolios of our existing team. In light of this, from 2018/19 Gavin Barker (Director) will take over from Cameron Waddell as your Engagement Lead.



2. NATIONAL PUBLICATIONS

	Publication/update	Key points
National Audit Office (NAO)		
1.	Transformation guidance for Audit Committees	Key questions for Committees to consider for transformation projects.
2.	Code of Audit Practice	Useful information for Committee Members, including the overarching Code which governs our work.
3.	Roles and responsibilities of the NAO and local auditors	Defines responsibilities.
4.	Guidance and information for auditors	Including guidance in respect of the VfM arrangements review which may be of interest to Committee Members.
Public Sector Audit Appointments Ltd (PSAA)		
5.	Mazars Annual Regulatory and Compliance Report 2017/18	Overall assessment of 'green'.
6.	Oversight of audit quality, quarterly compliance reports	No significant issues.
7.	Local Audit Quality Forum, PSAA	Inaugural meeting in April 2018; invite to all Audit Committee Chairs and Chief Finance Officers.
Local Government Association (LGA)		
8.	Delivering Good Governance in Local Government: Annual Governance Statements, CIPFA, April 2018	Governance issues which may be of interest.

2. NATIONAL PUBLICATIONS

1. Transformation guidance for Audit Committees, NAO, May 2018

Transformation is used to describe significant changes in service delivery or in day to day operations in an organisation. The government continues to aim to make significant savings and transform services by introducing new organisational models and ways of working. However, transformation comes with risk and can be highly complicated. Evidence from the private sector suggests that 70% of transformations fail. In many cases transformation programmes rely on new technologies and online services, and are highly ambitious and have a high risk of failure. The complexity of public service delivery and user needs can make the successful transformation of public services even more difficult. Oversight of these transformation programmes creates a major challenge for management and audit committees. The NAO transformation guidance to Audit Committees sets out the questions to ask of management and the evidence and indicators to help audit committees to look out for at the three stages of any transformation project, as summarised below.

- At the set-up and initiation stage the key areas are: vision and strategy, and governance and architecture. The guidance addresses the evolving nature of transformation and what this implies for oversight.
- During the delivery and implementation stage the key areas are: change and implementation, and service and performance management. The guidance highlights the importance of tackling ambiguity and confusion in transformation objectives.
- Once live-running and benefits are being delivered the key areas are: people, process and technology. The guidance considers how audit committees can challenge the role of technology in supporting transformation.

<https://www.nao.org.uk/report/transformation-guidance-for-audit-committees/>

2. Code of Audit Practice, NAO

The Local Audit and Accountability Act 2014 makes the Comptroller and Auditor General responsible for the preparation, publication and maintenance of the Code of Audit Practice. The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act.

The audit of a public sector organisation is wider in scope than that of a private sector body. Special accountabilities attach to the use of public money and the conduct of public business. It is not part of the auditor's responsibilities to question the merits of policy, but the auditor does have wider duties (depending upon the relevant legislation) to scrutinise and report not only upon the truth and fairness of the financial statements but on aspects of public stewardship and the use to which resources have been put. The auditor carries out this work on behalf of the public and in the public interest.

The auditor does not act as a substitute for the audited body's own responsibility for putting in place proper arrangements in support of the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.

<https://www.nao.org.uk/code-audit-practice/>

2. NATIONAL PUBLICATIONS

3. Roles and responsibilities of the NAO and local auditors, NAO

Includes a useful summary of auditor's additional powers as well as setting out the responsibilities of auditors. Those responsible for the conduct of public business and for spending public money are required 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. In discharging these responsibilities, public bodies must put in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal. They are also required to report on their arrangements in their annual published governance statement.

Responsibilities in relation to the financial statements

The audited body is responsible for preparing financial statements that meet relevant statutory, professional and any other applicable requirements. Auditors provide an opinion on whether the audited body's financial statements:

- give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Auditors plan and perform their audit in compliance with the requirements of the Code and with relevant professional and quality control standards. The auditor's work is risk-based and proportionate and is designed to meet the auditor's statutory responsibilities,

Responsibilities in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources

It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Local public bodies are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In carrying out this work, the auditor is not required to satisfy themselves as to whether or not the audited body has actually achieved value for money during the reporting period.

In planning this work, auditors consider and assess the significant risks of giving a wrong conclusion on the audited body's arrangements for securing economy, efficiency and effectiveness.

<https://www.nao.org.uk/code-audit-practice/the-audit-framework-for-local-public-bodies/>

4. Guidance and information for auditors, NAO

Members may wish to note the guidance and information issued for auditors, covering sector-specific areas and providing a useful overview. This guidance is updated annually.

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

2. NATIONAL PUBLICATIONS

5. Mazars Annual Regulatory and Compliance Report 2017/18, Public Sector Audit Appointments Ltd, July 2018

Public Sector Audit Appointments Limited (PSAA) monitors the performance of all its audit firms. The audit quality and regulatory compliance monitoring for 2017/18 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 internal quality monitoring;
- reviews (QMRs) of its financial statements, Value for Money (VFM) arrangements 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 PSAA's inspection of each firm by the FRC's Audit Quality Review team (AQRT) as part of a 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

The report sets out that:

- Mazars is meeting PSAA's standards for overall audit quality and regulatory compliance requirements;
- Mazars' combined audit quality and regulatory compliance rating was green for 2017/18;
- The satisfaction survey results show that audited bodies are very satisfied with the performance of Mazars as their auditor; and
- Mazars has maintained its performance against the regulatory compliance indicators since last year, with all of the 2017/18 indicators scored as green and the overall weighted audit quality score of 2.55 having increased slightly from last year's 2.45.

Summary of PSAA annual assessments – overall combined

	BDO	EY	DT	PwC	GT	KPMG	Mazars
2018	Amber	Amber	n/a	n/a	Amber	Amber	Green
2017	Amber	Amber	n/a	n/a	Amber	Amber	Green
2016	Green	Green	Green	Amber	Amber	Amber	Green
2015	Amber	Green	Amber	Amber	Amber	Amber	Green

<https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

2. NATIONAL PUBLICATIONS

6. Oversight of audit quality, quarterly compliance reports 2017/18 Public Sector Audit Appointments Ltd

There are no significant issues arising in the latest quarterly compliance report issued by PSAA.

<https://www.psa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

7. Local Audit Quality Forum, Public Sector Audit Appointments Ltd, April 2018

The LAQF is intended to be a forum within which representatives of relevant audit bodies can work together and collaborate with others to share good practice and strive to enable improvements in the quality, efficiency and effectiveness of audit arrangements and practices in principal local authorities and police bodies in England.

Over 150 Chairs of Audit Committees and Directors of Finance attended the inaugural event to hear from speakers and panel members with a wealth of experience of public audit from across the UK. The programme included:

- Sir Amyas Morse, Comptroller and Auditor General of the National Audit Office, on the importance of public audit, and the NAO's role and responsibilities in relation to local audit
- Caroline Gardner, Auditor General for Scotland and PSAA Board Member, comparing and contrasting different models of public audit
- Rob Whiteman, CIPFA Chief Executive, on their guidance on audit committees and on the annual governance statement
- Jon Hayes, Chief Officer PSAA, outlining the appointing person arrangements
- Gareth Davies, Partner Mazars LLP, on the key issues arising from 2017/18 audits
- Q&A panel of audit committee chairs

Presentations from the inaugural event are available. Future events are being planned based on delegates' feedback and will be added to the PSAA website in due course. See a link to the PSAA website below.

<https://www.psa.co.uk/local-audit-quality-forum/18-april-2018-inaugural-meeting/>

8. Delivering Good Governance in Local Government: Annual Governance Statements, CIPFA, April 2018

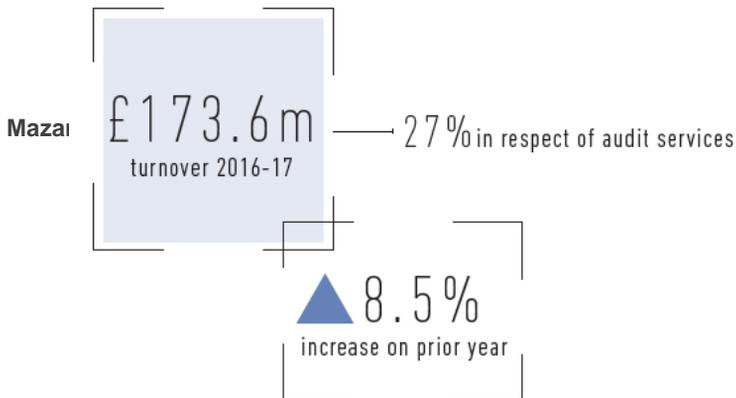
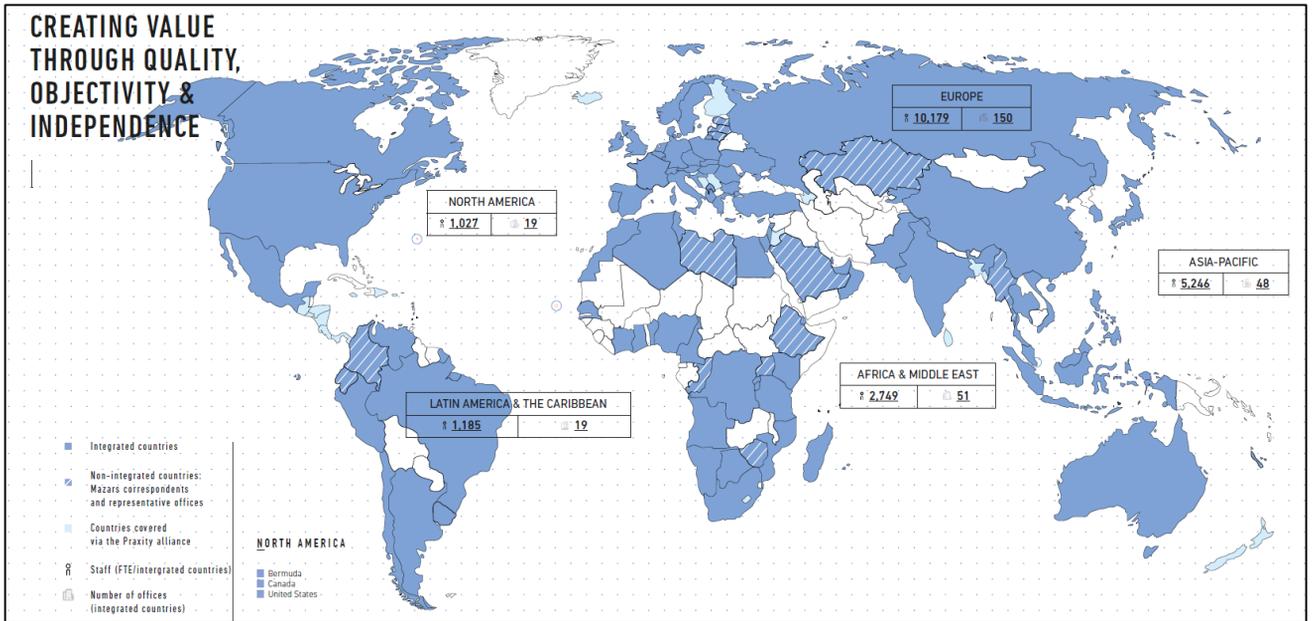
CIPFA reviewed a selection of AGSs for 2016/17 in order to advise on good practice. CIPFA found that some authorities continued to reference obsolete principles and guidance. This indicates that these authorities have not kept up to date with governance requirements and are failing to challenge the adequacy of their arrangements. One of the new requirements of the 2016 Framework was to improve accountability to the public and stakeholders by explaining how the authority has resolved any governance issues raised in the previous year's statement. A number of authorities failed to include this element in their statements.

<http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/delivering-good-governance-in-local-government,-c-,-annual-governance-statements>

MAZARS AT A GLANCE

Mazars LLP

- Fee income €1.5 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand



As at 31 August 2017

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