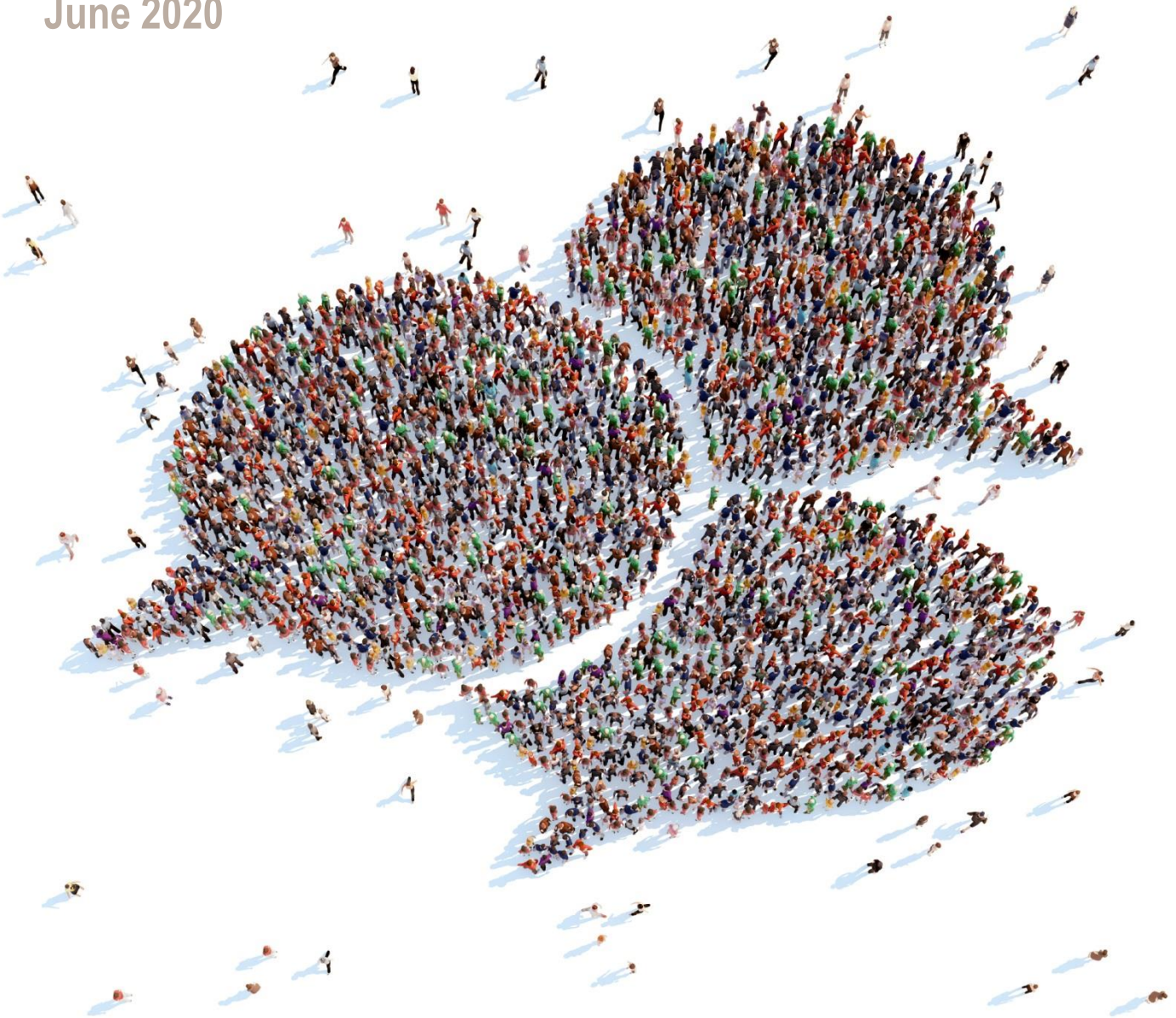


# Audit Progress Report

Office of the Police, Fire and Crime  
Commissioner for North Yorkshire and  
the Chief Constable for North Yorkshire

June 2020





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# 1. AUDIT PROGRESS

## Purpose of this report

This report provides the Joint Independent Audit Committee with an update on progress in delivering our responsibilities as your external auditor and also summarising key national publications that may be of interest to Members.

## Changes in accounts and audit timetable

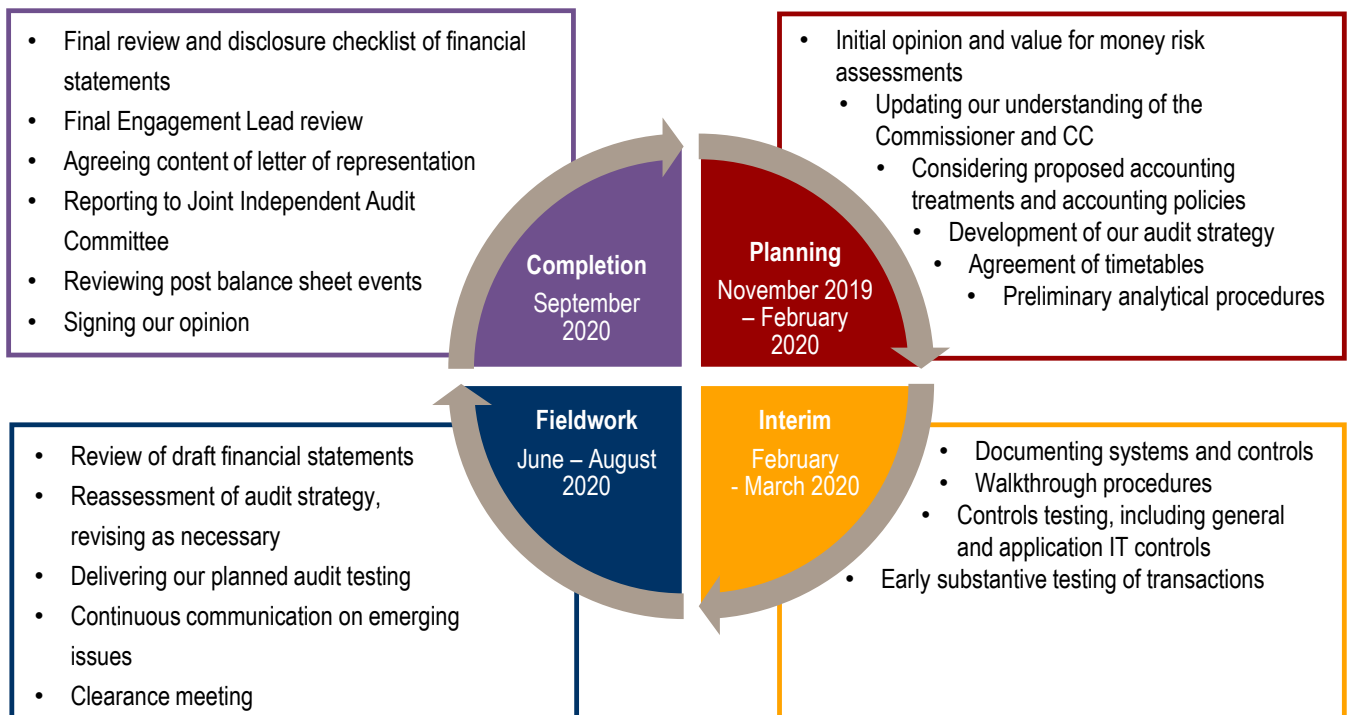
In April 2020 The Ministry of Housing, Communities and Local Government (MHLCG) confirmed that a statutory instrument (SI) amending the Accounts and Audit Regulations had been laid and came into force on 30 April 2020. The new effects of the amendments to the regulations are to change the dates that local authorities, and police and fire bodies, are required to publish draft and final accounts, and to remove the 'common' period during which local electors can inspect and object to local authority accounts.

The key changes for publication of draft and final accounts are as follows:

- The deadline for authorities to publish draft financial statements moves from 31 May to **31 August 2020**.
- The deadline for publication of final (audited) financial statements moves from 31 July to **30 November 2020**.

The requirement for a 'common' inspection period has been removed. The requirement to hold a 30-working-day inspection period remains, but for 2019-20 authorities, including police bodies, can commence the inspection period at any time, except it must commence **no later than 1 September 2020**. This will allow authorities to produce their draft accounts and commence their inspection periods as soon as they are able.

The impact of the changes on the audit timetable are detailed in the following table (these are proposed timings based on our understanding as at the beginning of June 2020). It is our current plan that we will present our Audit Completion Report to the Joint Independent Audit Committee on 22 September 2020, and that the audit opinion, VFM conclusion and certificate will be issued as soon as possible thereafter.



# 1. AUDIT PROGRESS

## Mazars response to the COVID-19 pandemic

During the ongoing coronavirus situation, Mazars has implemented clear and decisive measures to ensure the welfare of our people and clients while ensuring that we continue to deliver for those who rely on us.

### Ensuring resilience and maintaining the level and quality of client service

- Beyond protecting the welfare of our clients and people, Mazars' first priority is to continue to deliver on our business commitments. As part of our existing contingency planning, we have implemented systems and procedures to ensure continuity and to minimise any disruption.
- Our teams have full access to remote working technology with secure access to their applications, tools and data, wherever they are, and agile working processes are well-established across the firm.
- In a shifting environment, we will continue to adapt our approach to best navigate the uncertain situation while keeping our people and our clients front of mind.
- All partners and staff are working remotely, and our teams are making full use of virtual meetings and agile working technology to stay connected with each other and our clients, deliver on our commitments, and provide continuity and support at the time it's most needed.

Mazars' external website contains further details of its response to the emerging situation, along with regular economic briefings.

<https://www.mazars.co.uk/>

### Responding to changes – working with North Yorkshire Police

All Mazars' staff moved to remote working from the 16<sup>th</sup> March 2020. We are committed to supporting the Police and Crime Commissioner and Chief Constable as best we can, recognising first and foremost, the need to be flexible as the current environment changes and also potential pressures on the accountancy and finance teams of the PCC and CC. We have maintained open communication throughout this period and will continue to do so.

We are able to carry out the audit remotely and will put in place arrangements to allow this; for example, regular video conference calls, a shared site for secure transfer of data and keeping a queries log. The key difference is we will not, subject to any changes, have a physical on-site presence. We will maintain communication via e-mail, and regular telephone and video conferencing calls.

## 2. SUMMARY OF NATIONAL PUBLICATIONS

This section of our report contains national publications which may be of interest to Members, including recent publications in respect of Covid-19.

There have been many different briefings across different sectors, in respect of the emerging crisis and more are being published on an on-going basis. This summary does not intend to provide an exhaustive list of all recent publications, but to provide an overview of key areas.

Within Mazars, we liaise with the regulators for your sector on a regular basis and this will continue during the coming periods, so that we ensure we are up-to-date with emerging issues; we feed back any messages as part of on-going two-way communications.

	Publication/update	Key points
<b>Financial Reporting Council and other regulators</b>		
1.	<b>Statement in respect of current situation</b>	Highlights the impact for auditors and organisations and also the likelihood of an increase in modified opinions.
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>		
2.	<b>CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, 30 April 2020</b>	This is technical guidance for those preparing financial statements.
<b>National Audit Office (NAO)</b>		
3.	<b>Overview of the UK government's response to the COVID-19 pandemic, 21 May 2020</b>	NAO's first publication considering the Government response to COVID-19.
4.	<b>Code of Audit Practice</b>	New Code governing work of auditors, applying from 1 April 2020 for 2020/21 audit year and beyond.
<b>Public Sector Audit Appointments (PSAA)</b>		
5.	<b>PSAA Publishes Findings of Audit Survey, 7 May 2020</b>	PSAA client survey. We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.
6.	<b>Independent analysis of the outcomes of electors' objections, 15 April 2020</b>	Analysis of objections.
7.	<b>News release: Q&amp;As, 9 April 2020</b>	PSAA seeks to answer questions raised in the 2020/21 scale fee process.
8.	<b>2020/21 audit fee scale, 31 March 2020</b>	Scale fees set for 2020/21 at same level as 2019/20, but PSAA indicates likely upward pressure on audit fees for both years.
9.	<b>Independent review of the sustainability of the local government audit market, 4 March 2020</b>	PSAA publishes an independent review.
<b>Local Government Association (LGA)</b>		
10.	<b>Key questions and issues for finance portfolio holders during the COVID-19 pandemic, 14 May 2020</b>	Although this paper is directed at local authorities, the considerations around the financial impact of COVID-19 are equally relevant to police bodies.

## 2. SUMMARY OF NATIONAL PUBLICATIONS

	Publication/update	Key points
<b>Home Office</b>		
11.	<b>Government urges public to make a difference and join the police, 19 May 2020</b>	Government plans to increase police numbers are on target despite the pandemic.
12.	<b>Home Secretary's statement on coronavirus (COVID-19), 25 April 2020</b>	Includes an update on the impact of the pandemic on law enforcement.
13.	<b>Police given new powers and support to respond to coronavirus, 26 March 2020</b>	Police powers and support in relation to coronavirus.
14.	<b>Policing gets biggest funding boost in decade to put more bobbies on the beat, 22 January 2020</b>	Government funding commitment to increase police numbers by 20,000 over time.
<b>Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS)</b>		
15.	<b>HMICFRS suspends inspections of police and fire and rescue services, 18 March 2020</b>	Inspections suspended due to COVID-19 pandemic.

## 2. NATIONAL PUBLICATIONS

### 1. Statement on Covid-19, *Financial Reporting Council and other Regulators*, March 2020

A joint statement was issued by the Financial Reporting Council, the Financial Conduct Authority and Prudential Regulation Authority in response to the current situation.

The statement sets out that:

*“Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. Equity and debt capital markets play a vital role providing finance to these businesses and will aid the recovery. Governments and regulators around the world remain focused on keeping capital markets open and orderly.*

*Capital markets rely on timely, accurate information. Investors and other stakeholders rely on financial reporting – backed by high-quality auditing. However, companies and their auditors currently face unprecedented challenges in preparing and auditing financial information”*

This statement highlights:

- highlights likelihood of more modified opinions (where difficulties in obtaining evidence or other issues);
- going concern assumption considerations and uncertainties; and
- guidance for companies and auditors.

<https://www.fca.org.uk/news/statements/joint-statement-fca-frc-pra>

### 2. CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, *Chartered Institute of Public Finance and Accountancy*, 30 April 2020

This is technical guidance for those preparing financial statements. It covers emerging or urgent accounting issues. The bulletin for the 2019/20 financial statements includes guidance on accounting for issues relating to the COVID-19 pandemic.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-05-closure-of-the-201920-financial-statements>

### 3. Overview of the UK government’s response to the COVID-19 pandemic, *National Audit Office*, 21 May 2020

Significant outbreaks of disease are among the greatest risks faced by any society, threatening lives and causing significant disruption to public services and the economy. The scale and nature of the current COVID-19 pandemic and government’s response is unprecedented in recent history.

This report is the first of a programme of work to be undertaken by the National Audit Office (NAO) to support Parliament in its scrutiny of the UK government’s response to COVID-19.

<https://www.nao.org.uk/report/summary-of-uk-governments-response-to-the-covid-19-pandemic/>

## 2. NATIONAL PUBLICATIONS

### 4. Code of Audit Practice, *National Audit Office*, March 2020

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies. Schedule 6 of the Act extends this requirement to include NHS Foundation Trusts.

Local auditors must comply with the Code of Audit Practice. The Code must be reviewed at least every five years, so the Code that applies will depend on the financial year being audited.

The final draft of the latest Code has now been approved by Parliament and will come into force on 1 April 2020. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards. The NAO is now developing the detailed statutory Auditor Guidance Notes (AGNs) that will support the new Code. The most significant changes will be made to the guidance on auditor's work on arrangements to secure value for money (AGN 03) and auditor reporting (AGN 07). NAO plan to engage with stakeholders to develop this guidance over the coming months and will consult publicly in the summer/autumn of 2020.

We will brief the Committee on changes as more guidance emerges over the year. Key messages from the new Code are summarised below:

#### **Audit of the financial statements**

Auditors must still comply with underlying auditing standards.

#### **Value for money arrangements**

- Removal of 'except for' and 'adverse' conclusions.
- Work based around 3 reporting criteria:
  - Financial sustainability
  - Governance
  - Improving the 3Es – economy, efficiency and effectiveness
- Auditors must report when they are not satisfied that arrangements are in place. Where weaknesses are identified, recommendations are expected at any time of the audit.

#### **Auditor reporting**

- Auditor's Annual Report introduced:
  - Replaces Annual Audit Letter
  - Includes enhanced commentary against each of the specified VFM reporting criteria
  - To be issued in line with the audit report on the financial statements

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



## 2. NATIONAL PUBLICATIONS

### 5. PSAA Publishes Findings of Audit Survey, *Public Sector Audit Appointments*, 7 May 2020

PSAA has published the findings of a survey of audited bodies' feedback on their audits of 2018/19 accounts.

In the past, surveys have been undertaken by the audit firms themselves and have sought the responses of client Chief Finance Officers (CFOs) to a relatively small number of high level questions.

This year, coinciding with the first audits under Appointing Person arrangements, PSAA has introduced a new approach which incorporates a number of important changes.

To assure independence and confidentiality, it has commissioned the LGA's Research & Information team to administer the survey centrally. The views of both CFOs and Audit Committee Chairs have been sought recognising the importance of the auditor's relationships with both Management and Those Charged With Governance. A longer list of survey questions has also been developed to probe more deeply into respondents' experience of different aspects of the audit and the auditor's performance.

PSAA hopes that audited bodies will find the survey results interesting and helpful in terms of stimulating discussion about their audit, identifying areas in which it went well or might have been improved. PSAA is encouraged by the volume of data which its new survey has generated and the opportunity it provides to identify good practice and/or discuss specific areas for improvement with individual audit firms.

We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.

<https://www.psa.co.uk/2020/05/psaa-publishes-findings-of-audit-survey/>

### 6. Independent analysis of the outcomes of electors' objections, *Public Sector Audit Appointments*, 15 April 2020

A unique element of the local government accountability framework is the long-held rights of local electors to inspect accounts and related documents, and to object to auditors about issues of concern. In recent times electors have been able to access far more data and information than when the right to object was originally enacted, because of developments such as transparency reporting and the Freedom of Information Act.

Publicly available information about objections and their outcomes is limited. The work on them is often mainly confidential correspondence between the auditor, the objector and the local body with the outcome reported to the local body. Although the auditor's decision and detailed statement of reasons is sometimes reported in the public domain, this is not always the case. To help address that gap PSAA has commissioned an independent analysis of the outcomes of objections.

It is noted that there did not appear to be any objections in the police sector in the period reviewed.

<https://www.psa.co.uk/2020/04/news-item-independent-analysis-of-the-outcomes-of-electors-objections/>

### 7. News release: Q&As, *Public Sector Audit Appointments*, 9 April 2020

PSAA consulted on the 2020/21 scale fees earlier this year and published the 2020/21 scale fees on 31 March 2020. Not surprisingly in these turbulent times for audit the consultation responses contained many questions. Today PSAA have published a 'Q&A', setting out our answers to them.

<https://www.psa.co.uk/2020/04/news-release-qas/>

## 2. NATIONAL PUBLICATIONS

### 8. 2020/21 audit fee scale, *Public Sector Audit Appointments*, 31 March 2020

The consultation set out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2020/21 financial statements at bodies that have opted into PSAA's national auditor appointment scheme. Setting the fee scale for audits of 2020/21 financial statements is challenging. It requires consideration and assessment of the impact of a range of factors, many of which are difficult to quantify at this stage. They include:

- issues which have given rise to additional audit work in relation to the 2018/19 accounts, or are expected to arise and have implications for 2019/20 accounts' audits, and which may or may not have ongoing implications for subsequent years;
- new auditing standards and regulatory requirements, including any decisions taken by Government in response to the reviews being undertaken and referred to in this progress report (see item 7 above); and
- the introduction of the new NAO Code of Audit Practice and related AGNs, the implementation of which may have one-off and/or ongoing implications for the extent of auditors' work.

In PSAA's view, discussions about the impact of the factors outlined needs to take place at local body level between the appointed auditor and an authorised representative of the audited body, such as the chief finance officer. This is the level at which each factor or variable can be considered in the distinctive context of the particular body, having regard to any implications for audit risk and the extent of any additional audit work which may be required to enable an appropriate level of assurance.

The expectation is that such discussions should take place as soon as possible as part of planning discussions for 2019/20 audits, with a specific aim also to look ahead to identify any implications for 2020/21. In some cases it may not be possible to quantify the implications for audit work at this stage or perhaps even until the work is done. Nevertheless early discussions will help to align expectations and mitigate the risk of audited bodies being unaware of the prospect of charges for additional work until very late in the audit process.

Link to the PSAA consultation is set out below:

<https://www.psa.co.uk/audit-fees/consultation-on-2020-21-audit-fee-scale/>

PSAA published its scale fees for 2020/21 on 31 March 2021, and concluded that:

"In current circumstances we do not have sufficient reliable information that would enable us to adjust the scale of fees for 2020/21, and so have maintained the scale fee at the level set for 2019/20 before audit work had started. In practice we recognise that in the event, with so much turbulence and change in the environment, additional fees variations are likely to arise for many bodies."

<https://www.psa.co.uk/audit-fees/2020-21-audit-fee-scale/>

### 9. Independent review of the sustainability of the local government audit market, *Public Sector Audit Appointments*, 4 March 2020

PSAA has recently commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard (TR).

The TR report draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31st July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams.

<https://www.psa.co.uk/2020/03/news-item-independent-review-of-the-sustainability-of-the-local-government-audit-market/>

## 2. NATIONAL PUBLICATIONS

### 10. Key questions and issues for finance portfolio holders during the COVID-19 pandemic, *Local Government Association*, 14 May 2020

The ongoing COVID-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. This paper seeks to outline and discuss key strategic issues that elected members, particularly those in finance and wider leadership positions, should consider.

Although this paper is directed at local authorities, the financial considerations are just as relevant to police bodies.

<https://www.local.gov.uk/key-questions-and-issues-finance-portfolio-holders-during-covid-19-pandemic>

### 11. Government urges public to make a difference and join the police, *Home Office*, 19 May 2020

The government's campaign to recruit an additional 20,000 police officers enters a new phase today with a clear message: make your difference.

More than 3,000 additional officers joined the police's ranks from the beginning of the campaign to the end of March 2020, putting the government on track to meet its target of 6,000 by March 2021.

Since then police forces have been reporting an increase in applications amid the coronavirus pandemic.

<https://www.gov.uk/government/news/government-urges-public-to-make-a-difference-and-join-the-police>

### 12. Home Secretary's statement on coronavirus (COVID-19), *Home Office*, 25 April 2020

Home Secretary Priti Patel provided an update on the government and law enforcement response to coronavirus.

<https://www.gov.uk/government/speeches/home-secretary-delivers-daily-coronavirus-update-25-april-2020>

### 13. Police given new powers and support to respond to coronavirus, *Home Office*, 26 March 2020

The government made new public health regulations strengthening police enforcement powers in England, to reduce the spread of coronavirus, protect the NHS and save lives.

<https://www.gov.uk/government/news/police-given-new-powers-and-support-to-respond-to-coronavirus>

### 14. Policing gets biggest funding boost in decade to put more bobbies on the beat, *Home Office*, 22 January 2020

The government has announced that funding for policing for 2020-21 will increase by more than £1.1 billion to a total of £15.2 billion, if Police and Crime Commissioners (PCCs) take full advantage of the flexibility to set police precept. The government has indicated that the increase represents almost 10% on the 2019-20 core funding figures for the forces and means that:

- PCCs will have access to £8.7 billion in government grants, representing £667 million more than in 2019-20;
- PCCs will have flexibility to increase local funding in England by setting the council tax referendum limit to £10 per year for a typical (Band D) property; and
- if all PCCs in England maximise the flexibility, this would generate around £248 million in additional funding for forces in England.

<https://www.gov.uk/government/news/policing-gets-biggest-funding-boost-in-decade-to-put-more-bobbies-on-the-beat>

## 2. NATIONAL PUBLICATIONS

### 15. HMICFRS suspends inspections of police and fire and rescue services, *Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services*, 18 March 2020

Public health emergencies, such as the Coronavirus epidemic, put additional strain on the UK's emergency services. As a result, until further notice, HMICFRS has suspended all inspection work requiring contributions from police forces and fire and rescue services, to enable them to focus on their vital work at this time. This includes the joint-agency inspections, which we carry out with other inspectorates.

A letter has been sent to all policing and fire leaders, including chief constables, chief fire officers and the relevant elected bodies.

HMICFRS will keep this suspension under review and continue working with the Home Office and police and fire sector partners throughout.

<https://www.justiceinspectorates.gov.uk/hmicfrs/news/news-feed/hmicfrs-suspends-inspections-of-police-and-frs/>

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