

# Northumbria Police Joint Independent Audit Committee

## Audit Progress Report

June 2015

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# 01 Introduction

The purpose of this report is to update the Northumbria Police Joint Independent Audit Committee (JIAC) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the contact details at the end of this update.

# 02 2014/15 audit progress

## 2014/15 planning

In the last quarter we have carried out the following work for the 2014/15 audit year.

We have:

- carried out our initial planning in respect of 2014/15, refreshing our understanding of the business 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 so as to inform our testing strategy;
- documented a walkthrough of the key financial systems;
- held on-going liaison meetings with your Internal Auditors to both share common knowledge and ensure no duplication;
- held on-going liaison meetings with senior officers; and
- considered key agendas and papers.

Our detailed Audit Strategy Memorandum, which sets out our planned work and assessments in more detail, was presented to the JIAC in February 2015.

We start the next phase of our work on the audit of the statement of accounts and work for the Value for Money conclusion in June.

## Updated Value for Money conclusion guidance

Before its closure on 31 March 2015, the Audit Commission issued updated guidance in respect of the Value for Money (VfM) conclusion.

Link to guidance: <http://www.audit-commission.gov.uk/wp-content/uploads/2014/10/08102014-VFM-guidance-2014-15.pdf> (section 5 applying to police bodies).

By way of a reminder, we are required to reach a conclusion on your arrangements to secure economy, efficiency and effectiveness in the use of resources. Our conclusion on your arrangements is based on two criteria specified by the Audit Commission:

- **securing financial resilience** – focusing on whether you are managing your financial risks to secure a stable financial position for the foreseeable future; and
- **challenging how you secure economy, efficiency and effectiveness** – focusing on whether you are prioritising resources within tighter budgets and the need to improve productivity and efficiency.

In addition, we have regard to:

- your system of internal control as reported in your own Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review bodies; and
- any other locally determined risk-based VfM work considered necessary.

The guidance is similar to last year, setting out guidance for each sector under the following areas:

- approach and specified reporting criteria;
- key sector issues;

- guidance on the specified reporting criteria;
- financial resilience;
- securing economy, efficiency and effectiveness;
- risks relevant to the specified reporting criteria; and
- supporting VfM tools.

The guidance also sets out the typical characteristics for each of the two criteria; we plan to use these as a framework to inform our work, taking into account any local risks we may identify.

# 03 National publications and other updates

This section contains updates on the following:

1. **Local government financial reporting remains strong; nevertheless, over 1,000 small bodies have their accounts qualified, December 2014**
2. **2015/16 fee scales and work programme, Audit Commission, January 2015**
3. **Code of Practice, National Audit Office (NAO), January 2015**
4. **Audit Commission closure, March 2015**

## 1. Local government financial reporting remains strong; nevertheless, over 1,000 small bodies have their accounts qualified, December 2014

The Audit Commission's report 'Auditing the Accounts 2013/14: Local Government Bodies' reveals that financial reporting was consistently strong for most types of principal local authority and police bodies in 2013/14 when compared to the previous financial year. The results for small bodies were however less satisfactory, with 1,015 parish councils (11 per cent) and 19 internal drainage boards (IDBs, 16 per cent) receiving a qualified opinion on their 2013/14 annual return by 30 September 2014. For parish councils and IDBs, the level of qualifications increased from 8 per cent and 9 per cent, respectively.

Further information can be found at <http://www.audit-commission.gov.uk/2014/12/local-governmentfinancial-reporting-remains-strong-nevertheless-over-1000-small-bodies-have-their-accounts-qualified/>

## 2. 2015/16 fee scales and work programme, Audit Commission, January 2015

Before its closure on 31 March 2015, the Audit Commission consulted on the 2015/16 proposed work programme and scales of fees. The Department for Communities and Local Government (DCLG) asked the Audit Commission to set fees for 2015/16 before the Commission's closure.

The Commission has reduced scale fees by a further 25 per cent from 2015/16, based on the scale fees applicable for 2014/15. The 25 per cent fee reduction has been achieved as a result of a recent procurement exercise to retender the work undertaken under older contracts with audit firms, and is in addition to the 40 per cent cut in fees made by the Commission in 2012.

The consultation ended on 9 January 2015. The proposed scale fees are as follows:-

- Chief Constable - £18,750
- Police & Crime Commissioner - £37,050

Both of the above fees are a 25 per cent reduction on the 2014/15 scale fee.

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/>

### **3. Code of Practice, National Audit Office (NAO), January 2015**

Following its public consultation, the NAO's final draft Code of Audit Practice was laid in Parliament on Monday 12 January 2015. The Code will apply for audits relating to financial year 2015/16 and beyond. Further details can be found on the NAO website, along with the final draft Code and summary of consultation responses: <http://www.nao.org.uk/press-releases/updated-draft-local-audit-code-publishednao/>

### **4. Audit Commission Closure, March 2015**

#### **Background:**

In August 2010, the Department for Communities and Local Government (DCLG) announced plans to put in place new arrangements for auditing England's local public bodies.

The Local Audit and Accountability Act 2014 received Royal Assent on 30 January 2014. The Act made it possible for the Audit Commission to close, in line with Government expectations, on 31 March 2015, 30 years after it was established. Several of the Commission's functions will continue after its closure.

#### **Management of audit contracts:**

An independent company created by the Local Government Association (Public Sector Audit Appointments Limited) is now responsible for overseeing the Commission's current external audit contracts with audit firms from 1 April 2015 until December 2017 or up to 2020 (if a decision is made that the existing contracts will be extended). It will manage the contracts and exercise statutory powers to appoint auditors, set and determine fees, and to make arrangements for housing benefit subsidy certification.

The professional conduct of auditors will continue to be regulated by the professional accountancy bodies. From 2017 or up to 2020, Recognised Supervisory Bodies will determine the eligibility of local public auditors and register them and, in turn, they will be recognised and supervised by the Financial Reporting Council.

The Financial Reporting Council's Audit Quality Review team will monitor the local public audits carried out by auditors through new regulatory arrangements.

#### **Code of Audit Practice**

The National Audit Office have produced and will maintain the Code of Audit Practice and provide supporting guidance to auditors from 1 April 2015.

#### **Whistleblowing**

The Comptroller and Auditor General will be a prescribed person to whom whistleblowing disclosures can be made in respect of local public bodies under the Public Interest Disclosure Act 1998 from 1 April 2015. Appointed auditors retain their status as a prescribed person under the Act.

#### **National Fraud Initiative**

The Audit Commission powers to conduct the National Fraud Initiative passed to Cabinet Office on the 1st of April 2015, and the NFI will run under Cabinet Office powers from that date onwards. The NFI matches data provided by some 1,300 participating organisations from across the public and private sectors against data provided by other participants, and key data sets provided by government departments and other national agencies, to prevent and detect fraud.

#### **Counter fraud**

To preserve the legacy of the Audit Commission's counter-fraud work the Commission has published relevant counter-fraud tools and outputs online with open access before it closed at the end of March 2015.

## **Provision of information about audit**

The National Audit Office will publish information previously provided by the Audit Commission. The NAO will become the owner of Council Accounts: A Guide to Your Rights, often referred to as the guide to the electorate's rights with regard to the audit of their local authority. Public Sector Audit Appointments Limited will continue to publish Auditing the Accounts and quarterly and annual reports on auditor compliance and audit quality.

## **Analytical tools**

Three of the Audit Commission's analytical tools that are primarily maintained to support audit contracts will transfer to Public Sector Audit Appointments Limited and will continue until the end of the current audit contracts: the two Value for Money Profiles Tools (for councils and for fire authorities), and the Audit Fees Comparator Tool. The Financial Ratios Tool is also likely to continue, although arrangements are yet to be finalised.

## **National value for money studies**

Building on its existing work, including in the Health sector, the National Audit Office now also carries out studies which consider the value for money of services delivered by the local government sector.

## **Best value inspections**

The power to carry out Best Value inspections (not exercised by the Audit Commission since 2010) transferred to the Secretary of State for Communities and Local Government on 4 April 2014.

## **Audit Commission historic reports and information**

The National Archives preserves copies of the Audit Commission's website and these are available at [http://webarchive.nationalarchives.gov.uk/\\*/http://audit-commission.gov.uk/pages/default.aspx](http://webarchive.nationalarchives.gov.uk/*/http://audit-commission.gov.uk/pages/default.aspx)

For copies of the Commission's past reports you may view these on the National Archives website.



# 04 Contact details

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

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