

Annual Audit Letter 2014/15

Police and Crime Commissioner for Northumbria

October 2015



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Mrs V Baird
Police and Crime Commissioner for Northumbria
Victory House
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21 October 2015

Dear Mrs Baird

Annual Audit Letter 2015

I am delighted to present our Annual Audit Letter for the 2014/15 audit year.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies as issued by the Audit Commission and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2011 and the National Audit Office.

I would like to express my thanks for the assistance of the finance team, as well as senior officers and the Joint Independent Audit Committee, during the audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07979 164467 or gareth.davies@mazars.co.uk

Yours sincerely

Gareth Davies
Partner
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01 Overall messages

Purpose of this letter

Our Annual Audit Letter provides a summary of our work and findings for the 2014/15 audit period for the Police and Crime Commissioner for Northumbria (the Commissioner), and other interested parties.

In addition to this letter, we presented our Audit Completion Report to the Joint Independent Audit Committee on 14 September 2015 which, together with the follow up letter we issued, provided more detail of the work we have undertaken as the Commissioner's external auditor in 2014/15. The key conclusions for each element of our audit are summarised below.

Our audit of the statement of accounts

We issued an audit report including an unqualified opinion on the Commissioner's statement of accounts on 28 September 2015.

Our audit proceeded smoothly and we did not encounter any significant issues whilst undertaking our work. The small number of errors identified were not significant in nature. The finance team were cooperative during our work and the accounts and working papers were of a good quality. Further details are provided in the sections that follow.

Our Value for Money Conclusion

We performed our work in line with the Audit Commission's Code of Audit Practice for Local Government bodies and the Commission's guidance on the Value for Money conclusion for 2014/15. We obtained sufficient assurance that the Commissioner had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Our work in this area focused on the two criteria specified by the Audit Commission, and considered joint arrangements in conjunction with the Chief Constable for Northumbria (the Chief Constable).

We issued an unqualified value for money conclusion on 28 September 2015. Further details are provided in the sections that follow.

Whole of Government Accounts (WGA)

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of your WGA consolidation pack with the audited statement of accounts. We reported (on 2 October 2015) that your consolidation pack was consistent with the audited statement of accounts.

Our other responsibilities

As the Commissioner's appointed external auditor, we have other powers and responsibilities as set out in the Audit Commission Act 1998. These include responding to questions on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest. We did not receive any questions or objections in relation to the Commissioner's 2014/15 accounts from local electors, nor did we exercise our wider reporting powers.

02 Financial Statements

Audit of the financial statements

We audited the Commissioner's financial statements in line with auditing standards and we reported the detailed findings of the audit in our Audit Completion Report and subsequent follow up letter. We issued an audit report including an unqualified opinion on the Commissioner's financial statements on 28 September 2015.

Preparation of the accounts

The draft accounts were of a good quality overall, as were the supporting working papers which were made available during the audit. All supporting evidence was produced on a timely basis throughout the audit.

Issues arising from the audit of the accounts

The audit progressed smoothly, and identified only a small number of errors, with no significant issues. The Chief Finance Officer amended the draft accounts for the small number of changes identified during our audit.

A national issue arose during the audit which affected all police and fire bodies in the country, and which took some time to resolve at a national level. It concerned a recalculation of pension costs following a determination by the pensions ombudsman. The Chief Finance Officer responded proactively to the issue, and with the finance team obtained the required information in order to amend the statements before they were approved on 22 September 2015.

Annual Governance Statement ('AGS')

The AGS is drafted by the Commissioner to provide assurance on how the Office of the PCC is managed and how it dealt with risks during the year. We reviewed the AGS to see whether it complied with relevant guidance and whether it was misleading or was inconsistent with what we know about the Office of the PCC. We found no areas of concern to report in this context.

Weaknesses in internal control

Our work on the Commissioner's financial systems identified no significant weaknesses in internal control.

03 Value for Money Conclusion

For 2014/15, we were required to give a statutory conclusion on the Commissioner's arrangements to secure Value for Money in its use of resources, based on the following two specified reporting criteria:

Criteria	Focus of each criterion
The Commissioner has proper arrangements in place for securing financial resilience.	The Commissioner has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The Commissioner has proper arrangements for challenging how it secures economy, efficiency, and effectiveness.	The Commissioner is prioritising resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

As part of our work, we also:

- review the annual governance statement;
- review the work of other relevant regulatory bodies or inspectorates to the extent the results of the work have an impact on our responsibilities (where applicable); and
- carry out any risk-based work we determined to be appropriate.

The central government funding for Northumbria Police has reduced significantly since 2010 and the Commissioner anticipates further reductions. We reviewed the Commissioner's arrangements for managing financial risks and securing a stable financial position. We identified a significant risk in the Audit Strategy Memorandum regarding financial pressures resulting from reduced resources.

We addressed this risk by carrying out detailed work on all of the areas highlighted below:

- the matters raised in the Annual Governance Statement for 2013/14;
- financial management, systems and other governance arrangements including changes made as a result of reviewing existing service agreements;
- the robustness of budget setting and monitoring;
- service reconfiguration and the accompanying rationalisation of your estate;
- arrangements for collaboration with other police forces;
- workforce changes (both police and non-uniform) and their financial impacts; and
- arrangements for reviewing the sources and basis of calculation of income.

We detail below our findings in relation to the two criteria specified by the Audit Commission.

Financial Resilience

The Commissioner clearly understands the financial challenges and risks and is taking action to resolve the budget gap identified. The Commissioner's Chief Finance Officer (CFO) is a member of the leadership team and ensures the financial viability of all decisions taken.

The Commissioner has delivered significant efficiencies in recent years, but recognises that further funding cuts lie ahead, and is planning accordingly.

The medium-term financial strategy (MTFS) is regularly updated (last updated February 2015 covering the period 2015/16 to 2017/18), and is matched to the priorities in the Police and Crime Plan.

There is a balanced budget for 2015/16 and all required savings plans are in place. The budget report sets out the factors and assumptions impacting on the budget, including service pressures.

Financial risk management arrangements are in place and are regularly reported to the Joint Independent Audit Committee.

Economy, efficiency and effectiveness

In November 2014, Her Majesty's Inspectorate of Constabulary (HMIC) published the first assessments of police forces which allow the public to see how well their local force is performing. Known as the PEEL (police effectiveness, efficiency and legitimacy) assessments, the HMIC report on Northumbria Police judged the force as follows:

- in terms of its effectiveness the force is good at reducing crime and preventing offending, it is good at investigating offending and is outstanding at tackling anti-social behaviour;
- the efficiency with which the force carried out its responsibilities is good; and
- the force is acting to achieve fairness and legitimacy in most of the practices that were examined this year.

The assessment also highlighted concerns about the force's approach to crime-recording and also the need to develop a better understanding of the changing demand for police services.

In addition, the HMIC's report 'Responding to Austerity' produced in July 2014, gave Northumbria Police a GOOD assessment in relation to how well the force provided value for money.

Annual Governance Statement

We reviewed the Commissioner's Annual Governance Statement to identify if there were any issues disclosed by the Commissioner that would lead us to consider that the Commissioner did not have proper arrangements for securing economy, efficiency and effectiveness. Our review did not identify any such issues.

Overall Conclusion

Our overall conclusion was that the Commissioner had adequate arrangements in place for each criterion and accordingly we issued an unqualified VFM conclusion.

04 Future challenges

The Commissioner continues to work with the Chief Constable to secure the outcomes articulated in the Policing Plan whilst managing a reducing level of central government grant.

Our 2015/16 audit will take account of the changing risk profile:

- shifts in the demands on the police
- the challenges of working in partnership with other agencies who themselves are managing significant budget reductions
- a demanding internal programme of asset rationalisation and cost reduction.

05 Fees and closing remarks

Our Audit Strategy Memorandum, issued and presented to the Joint Independent Audit Committee on 23 February 2015, set out our proposed fees for the 2014/15 audit, which are based on a scale fee set by the Audit Commission.

The fees applicable to our work in 2014/15 are summarised below.

Element of work	2013/14 Final Fee	2014/15 As previously reported	2014/15 Final Fee
Code audit work	£49,400	£49,400	£49,400
Total	£49,400	£49,400	£49,400

We confirm that we did not undertake any non-audit work during the year.

During the audit year we have continued to support the Commissioner in other ways, including:

- Attendance at Joint Independent Audit Committee meetings where we inform the Committee about progress on the audit, report our key findings and provide updates about developments in the public sector and the wider environment;
- Assisting in the Joint Independent Audit Committee's training event; and
- Hosting briefing events for finance staff, such as our Accounts workshops, and more focused Accounts update sessions, as appropriate

Further detailed findings, conclusions and recommendations in the areas covered by the audit are included in the reports issued to the Chief Constable during the year, which are summarised below.

Report	Date issued
2014/15 Audit Fee Letter	April 2014
Audit Strategy Memorandum	February 2015
Progress reports to Joint Independent Audit Committee	To each meeting
Audit Completion report, including follow up letter	September 2015
Auditors Report	September 2015
Annual Audit Letter	October 2015

The Commissioner and management have taken a positive and constructive approach to our audit and I wish to thank them and the Joint Independent Audit Committee for their support and co-operation during our audit.

Gareth Davies

Partner

October 2015

Should you require any further information on this letter or on any other aspects of our work, please contact:

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