

Audit Completion Report

Chief Constable for Northumbria



For the year ended 31 March 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 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 for Northumbria ('the Chief Constable') for the year ended 31 March 2017, and forms the basis for discussion at the Joint Independent Audit Committee meeting on 18 September 2017 before being presented to the Joint 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 £6.359 million. We have updated our assessment as part of our continuous planning processes and have set materiality at £6.101 million. Our clearly trivial threshold for reporting matters to you has been set at £183k.</p> <p>We communicated identified significant risks to you as part of our Audit Strategy Memorandum in February 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 did not identify any misstatements that needed to be adjusted by management. A summary of the identified disclosure issues 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 having no matters to report in respect of the Chief Constable's arrangements to secure 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

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, the following matter remains outstanding:

Area outstanding	Work to be completed
Closure procedures	We will complete our standard closure procedures, including review of the amended financial statements and consideration of post balance sheet events.

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
Management override of control 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.	We addressed this risk through performing audit work over: <ul style="list-style-type: none">• accounting estimates impacting 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.	Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.
Pension costs and pensions liability The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.	We discussed with key contacts 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: <ul style="list-style-type: none">• evaluated the management controls you had in place to assess the reasonableness of the figures provided by the actuaries; and• considered the reasonableness of the actuaries outputs, referring to an expert's report on all	Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

	actuaries nationally which is commissioned annually by the National Audit Office.	
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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	<p>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).</p> <p>In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.</p>
Quality of the draft financial statements	<p>We received draft financial statements from management on the deadline of 30 June 2017 and the accounts were of a good standard.</p>
Quality of supporting working papers	<p>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.</p> <p>The finance team has worked closely with us to provide high quality working papers which has enabled the audit to progress smoothly.</p>

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 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.

We have not identified any significant deficiencies as a result of our work this year.

Follow up of previous internal control points.

We did not raise any internal control points in 2015/16

4. Value for Money Conclusion

Our approach to Value for Money

We are required to form a conclusion as to whether the Chief Constable for Northumbria (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

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.

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	<ul style="list-style-type: none">• The Police and Crime Panel (hosted by Gateshead Council and independent of both the Chief Constable and PCC) meet six times per year and hold the PCC to account.• An experienced Chief Constable and PCC's management team has been in place for a number of years.• There is a Joint Independent Audit Committee (JIAC) in place which meets four times per year. Standing items on the agenda include progress reports by both Internal and External Audit along with Strategic Risk Management updates.• There is regular reporting to the Chief Constable and PCC of both performance and financial information.	Yes

	<ul style="list-style-type: none"> • There is a Police and Crime Plan in place for the period 2017 to 2021. The purpose, vision, values, priorities and strategic objectives of the PCC are developed in consultation with the Chief Constable. In turn, the Chief Constable draws the Policing Plan, for which he is responsible, from the Police and Crime Plan. • There is a Governance Framework available on the website, which is applicable to both the Chief Constable and PCC. • Performance is monitored through a robust framework based around the Chief Constable's Delivery Plan. • The PCC attends the Force's Strategic Management Board to scrutinise progress. In addition, Joint Business Meetings that are held every 2 weeks. • An updated Medium Term Financial Strategy (MTFS), covering the period 2017/18 to 2020/21, was approved by the PCC on 23 February 2017. In addition, the MTFS is clearly linked to the Police and Crime Plan. • Force financial position and MTFS update presented to senior managers at meeting of Commanders on 12 July 2017. • An up to date risk register and risk management arrangements are in place and regularly reported to JIAC. • An Annual Governance Statement is prepared, reviewed and approved before being included in the financial statements. 	
Sustainable resource deployment	<ul style="list-style-type: none"> • An updated Medium Term Financial Strategy (MTFS), covering the period 2017/18 to 2020/21, was approved by the PCC on 23 February 2017. In addition, the MTFS is clearly linked to the Police and Crime Plan. • The updated MTFS is used as a basis for the production of annual budgets which are set by the PCC and scrutinised by the Police and Crime Panel. • The Chief Constable has a history of meeting financial targets with no previous budget deficits. The level of general fund balances is approved annually as part of the approval of the MTFS. • The organisation has an adequate level of reserves available for use as required. • An up to date Asset register is in place. • The Capital Programme, included in the 2017/18 to 2020/21 MTFS, sets out the PCC's investment priorities. All capital schemes are appraised and prioritised to ensure they reflect the key investment requirements in the strategy. • A Workforce Strategy is in place that includes recruitment, training and development of officers and police staff. 	Yes

Working with partners and other third parties

- Both the Chief Constable and PCC are aware of the importance of collaboration. This is evidenced in the Collaboration and Partnership Strategy which was updated during the year in May 2016.
- Collaboration agreements to which the Chief Constable and PCC are parties are published under the transparency section of the PCC for Northumbria website.
- Areas of collaboration with other police forces and public organisations include:
 - Co-locating with partners wherever possible – so far co-located with Northumberland Fire and Rescue Service, Tyne and Wear Fire and Rescue Service, Newcastle City Council, North Tyneside Council, South Tyneside Council, Gateshead Council, Northumberland County Council, various National Health Service Trusts, and a number of local community groups;
 - during 2016 the Chief Constable and PCC signed up to a 7 force Section 22A collaboration agreement with Durham, Cleveland, Humberside and the 3 Yorkshire forces. The agreement provides an overarching framework for areas of collaboration in the North East region. Currently the agreement covers the following capabilities across the seven forces: Disaster Recovery Identification and CBRN (Chemical, Biological, Radiological and Nuclear incidents; and
 - a collaborative working agreement between the legal teams of Northumbria Police and North Tyneside Council in order to provide advice, support and resilience to one another.
- The North East Regional Special Operations Unit (NERSOU) collaboration between Northumbria, Durham and Cleveland was extended to include further collaboration on covert policing (1st April 2016) and Technical Surveillance (1st October 2016).
- The force has a number of collaboration arrangements in place with Durham Constabulary including kennel services, fingerprint enhancement services and public order training with further collaboration on forensic services planned for 2017/18.
- Northumbria have recruited a Funding and Innovation Manager, a designated post within the Corporate Development Department to lead on the development of strategic collaborative opportunities and partnership working.
- Northumbria participates in National Procurement Frameworks which are delivering significant savings on an on-going basis, particularly in areas such as vehicle purchase, ICT contracts and uniform.

Yes

- The force has written procedures for procuring products and services, which are within its Code of Corporate Governance

Having gathered evidence of the Chief Constable's arrangements for each criterion we conducted a 'reality check', building upon our existing knowledge of the Chief Constable and considering the robustness of our assessment by referring to:

- reports by statutory inspectorates or other regulators;
- achievement of performance and other targets; and
- performance against budgets and other financial targets.

Evidence	Auditor assessment
Reports by statutory inspectorates or other regulators	<p>We considered reports issued by Her Majesty's Inspectorate of Constabulary (Now Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)) during the year which might impact on our conclusion.</p> <p>This included a review of the 2016 PEEL Effectiveness report which judged Northumbria Police to be 'good' on its overall effectiveness in reducing crime and keeping people safe.</p> <p>We also reviewed the 2016 value for money profiles. Based on this review, there were no indicators which would suggest weaknesses in the Chief Constable's arrangements, or any information contrary to our knowledge of the Chief Constable.</p>
Achievement of performance and other targets	Performance is good overall and Northumbria do not appear to be an outlier in the 2016 value for money profiles.
Performance against budgets and other financial targets	The Chief Constable has a history of achieving budget targets.

Overall conclusion

Having completed our assessment, and having carried out a 'reality check', we can conclude that our initial risk assessment remains appropriate and we can be confident in our conclusion that the Chief Constable has adequate arrangements in place for each criterion.

We intend to issue an unqualified Value for Money conclusion as set out in Appendix C.

Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £183k, 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 that have been adjusted by management during the course of the audit.

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 identified a small number of presentational and disclosure errors, all of which have been amended. The main disclosures identified have been listed here:

- Remuneration of Senior Employees 2016/17 (Note 11) – Four minor amendments made to the disclosures in the table on page 44 of the draft accounts; and
- Defined Benefit Plans (Notes 18 and 19) – Three amendments were made to the Notes to update the information included in the draft accounts.

Appendix B – Draft management representation letter

Chief Constable for Northumbria - 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 for Northumbria ('the Chief Constable') 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 Chief Constable's office 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 Chief Constable and Committee 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.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

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.

Yours sincerely

Mike Tait

Chief Finance Officer

Date.....

Appendix C – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NORTHUMBRIA

Opinion on the financial statements

We have audited the financial statements of the Chief Constable for Northumbria 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 for Northumbria, 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 for Northumbria, 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 for Northumbria'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 for Northumbria 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 for Northumbria's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Chief Constable for Northumbria and the auditor

The Chief Constable for Northumbria 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 for Northumbria 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 for Northumbria'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 for Northumbria 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 for Northumbria 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 for Northumbria 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 for Northumbria in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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.