

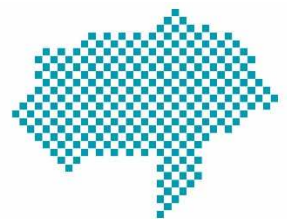
Audit Completion Report

Police and Crime Commissioner for North Yorkshire – year ended 31 March 2016

September 2016



Police and Crime
Commissioner
North Yorkshire



Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Mrs J Mulligan
Police and Crime Commissioner for North Yorkshire
Office of the Police and Crime Commissioner
12 Granby Road
Harrogate
North Yorkshire
HG1 4ST

8 September 2016

Dear Mrs Mulligan

Audit Completion Report – Year ended 31 March 2016

We are delighted to present our Audit Completion Report for the year ended 31 March 2016. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum dated 4 March 2016, and which we presented to the Joint Independent Audit Committee on 15 March 2016. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and areas of management judgement remain appropriate. We then planned and completed our audit procedures accordingly.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6314 or cameron.waddell@mazars.co.uk

Yours sincerely

Cameron Waddell

Mazars LLP

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01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2016 to the Police and Crime Commissioner for North Yorkshire (the Commissioner) and group, and forms the basis for discussion at the Joint Independent Audit Committee on 20 September 2016.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Commissioner; and
- receive feedback from yourselves as to the performance of the engagement team.

Our work on the Commissioner's accounts is designed to provide reasonable assurance that they are free from material misstatement. In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'. We consider materiality when planning and performing our work and in assessing audit results.

At the planning stage, we made a judgement about the size of misstatements which we would consider to be material and which gave a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We determined overall materiality to be £3.077 million PCC and £3.219 million for the group (being 2% of gross revenue expenditure), with a clearly trivial threshold of £92,000 PCC and £97,000 Group below which identified errors will not usually be reported. We also set lower materiality values for accounting entries we consider to be more sensitive, for example, senior officer's remuneration.

We updated our materiality calculation when we received the draft accounts and set the overall level at £2.840 million PCC and £3.235 million for the group (being 2% of gross revenue expenditure) with a clearly trivial threshold of £85,000 PCC and £97,000 Group. Appendix C provides more information on our approach.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 2 of this report includes our conclusions on the significant risks and areas of management judgement that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 3 and a summary of misstatements discovered as part of the audit in section 4.

Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2016, in line with our planned timetable agreed with officers.

At the time of preparing this report, have the following significant matters outstanding:

- KPMG, as auditors of the North Yorkshire Pension Fund Account, provide a letter of assurance to other auditors. We have not yet received their letter for 2015/16.
- Management are awaiting information from their valuer to inform a disclosure on fair values.

The following matters also remain outstanding, and are usually done just prior to signing the audit opinion:

- review of the amended financial statements;
- review of post balance sheet events; and
- review on receipt of management representation letter.

We will provide an update to you in relation to the matters outstanding above through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate:

- issuing an unqualified opinion, without modification, on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by the deadline.

Our proposed audit report is set out in Appendix B.

02 Significant findings

Set out below are the significant findings from our audit. These findings include:

- Our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum.
- Our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 6 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year.
- Any further significant matters discussed with management.
- Any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

Risk: Management override of controls (relevant to single entity and group accounts)

Description of the risk

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 override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates affecting 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.

Audit conclusion

Our work on accounting estimates, significant transactions outside the normal course of business and journals has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

Risk: Revenue recognition (relevant to single entity and group accounts)

Description of the risk

There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk.

How we addressed this risk

We evaluated the design and implementation of controls over year-end income accruals and performed procedures to establish that income is included in the correct year.

Audit conclusion

Our audit has provided the assurance we sought, and not highlighted any material issues in this area to report.

Risk: Pensions entries (IAS 19) (relevant to single entity and group accounts)

Description of the risk

The financial statements contain material pensions entries in respect of retirement benefits.

The calculation of these pensions 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.

How we addressed this risk

We discussed with key contacts any 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:

- evaluated the management controls you have 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 actuaries nationally which is commissioned annually by the National Audit Office.

Audit conclusion

Subject to review of the response from the local government pension scheme auditor, our audit has provided the assurance we sought, and not highlighted any further issues in this area to report.

Area of management judgement: Property, Plant and Equipment Valuations (relevant to single entity and group accounts)

Description of the area of management judgement

Valuations of these assets, in particular of land and buildings, require work from an expert valuer. Valuations of buildings must reflect both the condition of the building but also the valuation basis for that class of building as required by the CIPFA 'code'.

How we addressed this area of management judgement

We:

- examined the professional qualifications and assumptions used by your valuer in making valuations, ensuring that these have been done on the correct basis for each item;
- assessed whether the report produced by the valuer has been correctly reflected in the accounts; and
- assessed the reasonableness of your asset valuations in the financial statements using the work of our expert, Gerald Eve.

Audit conclusion

Our audit has provided the assurance we sought, and not highlighted any issues in this area to report.

Accounting policies and disclosures

We have reviewed the Commissioner's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting 2015/16.

Significant matters discussed with management

We have not discussed any significant matters with management, other than usual meetings and discussions to obtain audit evidence.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Electors' rights to inspect the accounts

The Accounts and Audit (England) Regulations 2015 ('the regulations'), introduced new requirements in respect of publishing the financial statements and the period within which local electors may raise questions on the financial statements or make an objection to an item of account. For 2015/16 the Commissioner set this period as 1 July to 11 August 2016. We received no questions or objections within this period in respect of the Commissioner's accounts.

03 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of 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 work has not identified any significant deficiencies this year to report.

Follow up of previous internal control points

We did not raise any significant internal control deficiencies last year.

04 Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level, are set out below.

Our audit identified the following matters which management have agreed to adjust:

- CIES (Page 16) Due to a typographical error, £916k was omitted from the 2015/16 'Corporate and Democratic Core' Expenditure column, and the resulting Net Cost of Services Expenditure total amended.

Disclosure amendments

Our audit identified the following disclosure amendments:

- Notes 5 & 6 of the Police Pension Fund were referenced in the Police Pension Fund Net Assets Statement but not included in the notes to the Police Pension Fund. Management has agreed to insert the notes.
- Note 19 Financial Instruments; PCC Short term borrowing Fair Value required updating from £244k to £135k, as the prior year figure had not been updated.
- Note 11d Senior officer remuneration; Employers contributions for J Carter required amendment from £11k to £13k, and J Palmer from £9k to £10k.
- Note 11f: narrative above the table required amendment to show the value of termination benefits to be £21k.
- Other more minor presentational and consistency matters.

05 Value for money

We are required to conclude whether the Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources by considering one overall criterion which is made up of three sub-criteria.

The overall criterion set out by the NAO is:

'In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

In the Audit Strategy Memorandum we identified one significant risk relevant to the value for money conclusion. We detail below how we have addressed these risks and our conclusion.

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

Significant Value for Money risks

VFM risk

Description of the risk

The Commissioner faces ongoing financial pressure, and this follows 5 years of budget cuts already having been made. We therefore have a VFM audit risk due to these factors.

How we addressed this risk

We:

- reviewed the MTFP to ensure it had been updated to reflect the funding update from central government issued in 2015; and
- reviewed the progress made in achieving savings to date against plan in order to gain audit assurance about the robustness of the savings planning processes.

Key findings and Conclusion

The updated MTFP was published in February 2016. As the MTFP was subject to review by Internal Audit, as requested by officers and in line with the External Audit / Internal Audit Protocol in place, we reviewed Internal Audit's work in order to minimise any duplication between us. Detailed findings on Internal Audit's review of the MTFP were reported by Internal Audit in their April 2016 report. Our review of their work provided us with the assurance that the MTFP had been updated for the latest funding settlement.

Our review of savings to date identified that there were no individual savings targets in the MTFP that was operational in 2015/16 (approved in February 2015) as the budget was fully balanced and any savings had been integrated into existing budgets. A review of the budget monitoring during the year and the year end outturn confirmed that the budget was met.

The MTFP approved in February 2015 included a budget gap of £64 million over the 4 years to 2020. During 2015/16 this reduced by £56m, to an initial budget gap of circa £8 million, as a result of changes to assumptions and the better than previously forecast levels of Government Grant. Affordability Group plans over the four years total circa £31m of savings, leaving circa £23m to reinvest in services. We reviewed a small sample of the schemes (the largest in each year of the MTFP) underpinning the plans to make these savings, and found that each was supported by detailed information to support how the plans would be achieved. This therefore provided assurance, on a sample basis, that the plans that would ultimately ensure the budget remains balanced over the coming years, or indeed in surplus, were robust.

Based on the work we have carried out, we are satisfied we have mitigated the audit risk we identified for our value for money conclusion.

The table below summarises our findings in respect of the three sub-criteria applicable to the Commissioner specified by the NAO.

Informed decision making

Proper arrangements	Arrangements at Police and Crime Commissioner for North Yorkshire	Audit Assurance obtained?
Acting in the public interest, through demonstrating and applying the principles and values of sound governance	<ul style="list-style-type: none"> • Governance framework in place. • Police and Crime Plan in place for the period 2013 to 2016. • Police and Crime Panel in place. • Joint Independent Audit Committee in place. 	Yes
Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.	<ul style="list-style-type: none"> • Performance monitored and reviewed, and regular reporting of financial and performance information. • Medium term planning (MTFP) undertaken and plans in place, and updated routinely. 	Yes
Reliable and timely financial reporting that supports the delivery of strategic priorities.	<ul style="list-style-type: none"> • Police and Crime Plan in place for the period 2013 to 2016. • Performance monitored and reviewed, and regular reporting of financial and performance information. • MTFP updated routinely, as above. 	Yes
Managing risks effectively and maintaining a sound system of internal control.	<ul style="list-style-type: none"> • Risk register and risk management arrangements in place. Risks reported to Audit Committee and regular reporting by Internal Audit. • Annual governance statement prepared, reviewed and approved. 	Yes

Sustainable resource deployment

Proper arrangements	Arrangements at Police and Crime Commissioner for North Yorkshire	Audit Assurance obtained?
Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	<ul style="list-style-type: none"> • Financial and performance reports demonstrate a history of achieving financial targets. • MTFP updated for latest funding settlement, and programme in place to make efficiencies in order to reinvest in services. 	Yes
Managing and utilising assets effectively to support the delivery of strategic priorities.	<ul style="list-style-type: none"> • Asset register in place. • Capital strategy in place. 	Yes

Proper arrangements	Arrangements at Police and Crime Commissioner for North Yorkshire	Audit Assurance obtained?
Planning, organising and developing the workforce effectively to deliver strategic priorities.	<ul style="list-style-type: none"> HR policies and procedures in place and recruitment planning in place. 	Yes

Working with partners and other third parties

Proper arrangements	Arrangements at Police and Crime Commissioner for North Yorkshire	Audit Assurance obtained?
Working with third parties effectively to deliver strategic priorities.	<ul style="list-style-type: none"> Examples of partnership working in place to reduce costs and improve service delivery such as: <ul style="list-style-type: none"> Regional collaboration in Yorkshire and Humber, Project Evolve with Durham and Cleveland; Joint appointment of Officers with other PCCs; Estates collaboration with North Yorkshire Fire and Rescue Service, and Selby District Council; and Back office services shared with the Chief Constable, where appropriate. 	Yes
Commissioning services effectively to support the delivery of strategic priorities.		Yes
Procuring supplies and services effectively to support the delivery of strategic priorities.	<ul style="list-style-type: none"> Written procurement procedures and policies in place. 	Yes

Having gathered evidence of the Commissioner’s arrangements for each of the sub-criterion we conducted a ‘reality check’, building upon our existing knowledge of the Commissioner 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 by any statutory inspectorates (HMIC) or other regulatory bodies during the year which might impact on our conclusion.</p> <p>We reviewed the value for money profiles (based on data from Public Sector Audit Appointments). Based on this review, there were no indicators which would suggest weaknesses in the Commissioner’s arrangements, or any information contrary to our knowledge of the Commissioner.</p>
Achievement of performance and other targets	Performance is good overall and North Yorkshire do not appear to be an outlier.

Performance against budgets and other financial targets

The Commissioner 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 Commissioner has adequate arrangements in place for each criterion.

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

Appendix A – Draft management representation letter

Police and Crime Commissioner for North Yorkshire (and group) - audit for year ended 31 March 2016

This representation letter is provided in connection with your audit of the statement of accounts for the Police and Crime Commissioner for North Yorkshire, and group, (the Commissioner) for the year ended 31 March 2016 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.

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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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 organisation 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 relevant 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Commissioner'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 Commissioner 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 Commissioner 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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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 Commissioner 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 Commissioner 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 Commissioner'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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I have disclosed to you the identity of the Commissioner'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 CIPFA/LASAAC Code of

Practice on Local Authority Accounting in the United Kingdom 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 Commissioner 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.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Chief Finance Officer

Date.....

Appendix B – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR NORTH YORKSHIRE

Opinion on the financial statements

We have audited the financial statements of the Police and Crime Commissioner for North Yorkshire for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement (Group), Movement in Reserves Statement Group (PCC), the Comprehensive Income and Expenditure Statement (PCC), the Comprehensive Income and Expenditure Statement (Group), the Balance Sheet (Group), the Balance Sheet (PCC), the Cash Flow Statement (PCC and Group), 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 2015/16.

This report is made solely to the Police and Crime Commissioner for North Yorkshire in accordance with Part 5 of the Local Audit and Accountability Act 2014, and 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 Police and Crime Commissioner for North Yorkshire, as a body, 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 2015/16, 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 Police and Crime Commissioner for North Yorkshire and Group'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. 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 Police and Crime Commissioner for North Yorkshire as at 31 March 2016 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2016 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 2015/16.

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 reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 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 Police and Crime Commissioner for North Yorkshire's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Police and Crime Commissioner and the auditor

The Police and Crime Commissioner for North Yorkshire 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 Police and Crime Commissioner for North Yorkshire has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner for North Yorkshire has put in place 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 Police and Crime Commissioner for North Yorkshire'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 Police and Crime Commissioner for North Yorkshire 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 National Audit Office 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 Police and Crime Commissioner for North Yorkshire 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 published by the National Audit Office, we are satisfied that, in all significant respects, the Police and Crime Commissioner for North Yorkshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

[Signature]

Cameron Waddell CPFA
For and on behalf of Mazars LLP

The Rivergreen Centre
Aykley Heads

Durham
DH1 5TS
XX September 2016

Appendix C – Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assumed that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We considered materiality whilst planning and performing our audit.

Whilst planning, we made judgements about the size of misstatements which we considered to be material and which provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

In 2015/16 we set materiality at the planning stage at £3.077 million PCC and £3.219 million for the group (2% of gross revenue expenditure) with a clearly trivial threshold of £92,000 PCC and £97,000 Group below which identified errors will not usually be reported. We set lower materiality levels for the accounting entries we consider to be more sensitive, for example, senior officer's remuneration, as we considered these items to be of specific interest to users of the accounts sufficient to warrant audit procedures which would not otherwise be applied based on the materiality level for the audit as a whole. The materiality determined at the planning stage did not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, would be considered as immaterial.

We revised materiality for the financial statements as our audit progressed. Our closing assessment of materiality in 2015/16, based upon the final version of the financial statements, was £2.840 million PCC and £3.235 million for the group with a clearly trivial threshold of £85,000 PCC and £97,000 Group below which identified errors were not reported.

We discussed with management any significant misstatements or anomalies that we identified during the course of the audit and we reported in our Audit Completion Report all unadjusted misstatements we identified other than those which were clearly trivial, and obtained written representation that explained why these remain unadjusted.

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.