

# Annual Audit Letter 2014/15

Police and Crime Commissioner for North Yorkshire

October 2015



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Mrs J Mulligan  
Police and Crime Commissioner for North Yorkshire  
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13 October 2015

Dear Mrs Mulligan

**Annual Audit Letter 2015**

We are delighted to present to you this years Annual Audit Letter.

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 0191 383 6314 or [cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk)

Yours sincerely

Cameron Waddell  
Director  
Mazars LLP

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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 North Yorkshire (the Commissioner), and other interested parties.

In addition to this letter, we issued and presented our Audit Completion Report to the Joint Independent Audit Committee on 21 September 2015 which, together with the follow up letter we issued, provide 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 (and group) statement of accounts on 29 September 2015.

Our audit proceeded smoothly and we did not encounter any significant issues whilst undertaking our work. Any 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 to provide us with sufficient assurance that the Commissioner had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Our work in this area focussed on the two criteria specified by the Audit Commission, and considered joint arrangements and documents issued in conjunction with the Chief Constable for North Yorkshire (the Chief Constable).

We issued an unqualified value for money conclusion on 29 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. As the Commissioner's activity is below the threshold set by the NAO for a full review of WGA, the procedures we were required to carry out are limited to reporting the levels of income, expenditure assets and liabilities. We sent our return to the National Audit Office on 29 September 2015.

## 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 formal objections or questions in relation to the 2014/15 accounts, but did consider any matters raised with us in relation to the Commissioner's 2014/15 accounts from local electors. We did not need to exercise our wider reporting powers.

## 02 Financial Statements

### Audit of the financial statements

We audited the Commissioner's (and group) 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 (and group) financial statements on 29 September 2015.

### Preparation of the accounts

We agreed with the finance team that we would begin our audit earlier in the year than previous years as a 'dry run' for the earlier national deadline, which will be in place for 2017/18, and this provided good experience to build on in future years. The draft accounts were of a good quality overall, as was the standard of supporting working papers which were made available during the audit. Other 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. 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 finalised on 29 September.

### Annual Governance Statement ('AGS')

The AGS is drafted by the Commissioner to provide assurance to the reader over how it is managed and how dealt with risks in 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 Commissioner. 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   |
|--|---|
| <b>The Commissioner has proper arrangements in place for securing financial resilience.</b>                            | 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. |
| <b>The Commissioner has proper arrangements for challenging how it secures economy, efficiency, and effectiveness.</b> | 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.

Like other public sector bodies, the Commissioner faces a number of challenges and in light of these 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 faced from reduced funding. We addressed this risk by reviewing the medium term financial plan and through our work were able to mitigate the risk we identified.

The table below shows commentary alongside each aspect of the two criteria and we have indicated alongside each a rating. This is followed by a reality check section. All are green indicating that the expected arrangements were found to be in place in each area and an unqualified VfM conclusion has been issued.

## Financial resilience

| Criterion                                      | Aspect               | Commentary  | Arrangements in place |
|--|----------------------|---|-----------------------|
| Arrangements for securing financial resilience | Financial Governance | <p>Like other public sector bodies, the Commissioner faces a number of challenges in this area, including the need to:</p> <ul style="list-style-type: none"> <li>improve service quality and respond to rising demand within reduced budgets;</li> <li>deliver required efficiency savings; and</li> <li>manage the impact of increases on demand linked to demographic changes.</li> </ul> <p>The leadership team has a good understanding of the current economic climate. The Commissioner's Chief Finance Officer is a key member of the leadership team and ensures the financial viability of all decisions taken. Budgets are delegated and performance is regularly monitored.</p> <p>Risk management arrangements are in place and continue to be developed, and workforce planning has dealt with reductions in the overall workforce.</p> | Yes                   |
|  | Financial Planning   | <p>The Commissioner clearly understands the financial challenges and risks and is taking action to resolve the budget gap identified, specifically reviewing the estates strategy. The Commissioner has delivered significant efficiencies in recent years, but recognises that further funding cuts lie ahead, and is planning accordingly.</p> <p>The medium-term financial plan (MTFP) is regularly updated, is matched to the priorities in the Police and Crime Plan, and is updated to take account of emerging factors such as the central government funding reductions and the estates strategy update. There is a balanced budget for 2015/16 and all required savings plans are in place and are fully costed.</p>   | Yes                   |
|  | Financial Control    | <p>The budget report sets out the factors and assumptions impacting on the budget, including service pressures. Financial and corporate planning processes are closely aligned. Cash management and treasury management arrangements are embedded. Financial modelling is a key element of the MTFP. The Police and Crime plan sets out the short, medium and long term priorities for the Commissioner and the Force and is fully aligned to the MTFP.</p>   | Yes                   |

## Securing economy, efficiency and effectiveness

| Criterion  | Aspect                                | Commentary   | Arrangements in place |
|--|---------------------------------------|--|-----------------------|
| Arrangements for challenging economy, efficiency and effectiveness | Prioritising resources                | <p>The Commissioner faces a number of challenges in this area including the need to:</p> <ul style="list-style-type: none"> <li>• deliver significant efficiency savings, which may mean that services are no longer affordable or have to be delivered differently; and</li> <li>• make difficult decisions on priorities and find more efficient or innovative ways to meet responsibilities.</li> </ul> <p>The MTFP is clearly linked to the Police and Crime Plan which sets out the strategic priorities of the Commissioner over the short, medium and long-term and is responsive to changing resources and service decisions. The Commissioner takes a structured approach to cost reductions and prioritising resources, looking at options and delivering change on a business case approach.</p>  | Yes                   |
|  | Improving efficiency and productivity | <p>Leadership is strong and the spending reductions required to date have been achieved.</p> <p>Performance is good overall and the Commissioner is still driving improvement despite the national and local spending reductions. The Commissioner and force proactively monitor themselves against the performance of others using the data supplied by HMIC.</p> <p>The Commissioner has a proven track record of delivering savings and efficiencies, and continues to seek partnerships to join up services to the public whilst delivering efficiency savings. Savings plans are robustly monitored.</p> <p>The Commissioner has recognised the budget gap from 2016-2019 and work has already started to eliminate this gap while considering the impact further cuts will have on service provision. Sickness absence and TOIL is monitored regularly by the leadership team and there have been actions taken to reduce sickness levels.</p> | Yes                   |

## Overall assessment

Having gathered evidence of the Commissioner's arrangements for each 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 previously maintained by the Audit Commission, but now available on the Public Sector Audit Appointments website). 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 and a balanced budget has been set for 2015/16.  |

### 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, having carried out a 'reality check', is that the Commissioner had adequate arrangements in place for each criterion and an unqualified VFM conclusion was issued.

## 04 Future challenges / other commentary

The Commissioner and Chief Constable continue to develop and modify their future plans to respond to reductions in funding.

Managing spending reductions will continue to become more and more difficult if it is not to affect service provision to the public, especially in light of the fact that the major share of their expenditure relates to staff costs.

The Commissioner and Chief Constable have made good progress in securing efficiencies to date and this is reflected in the recent HMIC PEEL (police effectiveness, efficiency and legitimacy) assessment of North Yorkshire that concluded:

- “the efficiency with which the force carries out its responsibilities is good”.

The assessment also concluded “the available evidence indicates that:

- in terms of its effectiveness, in general, the force is good at reducing crime and preventing offending, and is good at tackling anti-social behaviour. However, it requires improvement in the way it investigates offending; and
- the force is acting to achieve fairness and legitimacy in most of the practices that were examined this year.”

The Commissioner and Chief Constable continue to explore and implement increased partnership working as a method to achieve better service provision and as an efficiency measure.

It is likely that the next few years will be even more difficult than the past few, and we will continue to monitor the situation during this coming year’s audit, however, the Commissioner and Chief Constable in North Yorkshire are well placed to meet the challenge.

## 05 Fees and closing remarks

Our Audit Strategy Memorandum, issued and presented to the Joint Independent Audit Committee on 16 March 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 | £43,240           | £43,240                        | £43,240*          |
| <b>Total</b>    | <b>£43,240</b>    | <b>£43,240</b>                 | <b>£43,240*</b>   |

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

\*In addition, providing this additional fee is approved by Public Sector Audit Appointments Limited (successor body to the Audit Commission in relation to the monitoring of audit contracts let before the abolition of the Audit Commission), we plan to recharge £2,500 of fees associated with legal advice we were required to obtain as part of considering a matter raised with us by a member of the public.

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 update it about developments in the public sector and the wider environment.
- Hosting events for staff, such as our Accounts workshops, or 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 Commissioner during the year, which are summarised below.

| Report  | Date issued     |
|---|-----------------|
| 2014/15 Audit Fee Letter                              | April 2014      |
| Audit Strategy Memorandum                             | March 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.

We are committed to supporting the Commissioner move forward with clarity of purpose and strong governance and accountability arrangements. Mazars currently audits and advises many other police bodies across the country and will continue to share our insights from other audits, and relevant knowledge from the wider public and private sector.

**Cameron Waddell**

**Director**

**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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