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External audit progress report and technical update

Joint Independent Audit Committee

March 2015

This report provides the Joint Independent Audit Committee with highlights of the main technical issues which are currently having an impact in police.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact on the organisation and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

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Progress report

This document provides the Joint Independent Audit Committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverables is provided in Appendix 1 of this report.

Summary of work performed since the last meeting of this Committee

Since the last meeting of the Joint Independent Audit Committee meeting we have:

- completed the planning process for 2014/15 which involved meeting with staff to discuss relevant current and emerging issues in respect of the accounts and value for money and updating our audit risk assessments. The Audit Plan which sets out the scope of our work is presented to this meeting
- agreed the approach and timing of the final accounts audit including the Prepared by Client (PBC) list and identification of significant matters for early consideration (e.g. accounting policies, accounting estimates)
- agreed the approach to the VFM conclusion work.

Summary of upcoming work

Our upcoming work ahead of the next meeting of the Joint Independent Audit Committee includes:

- the interim audit work is planned for April 2015 and will involve testing significant financial systems and assessment of the financial control environment. Where we identify significant risks or do not gain the planned level of assurance from our work, we will report to management and those charged with governance.
- the VFM conclusion work runs throughout the year and follows guidance specified by the Audit Commission in terms of the scope and focus of the work. We will review your arrangements in relation to the two Audit Commission specified Value for Money criteria (that is, its arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness). We will consider the outcome of the NAO review as part of our assessment.



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Technical update

Area	Level of Impact	Comments	KPMG perspective
Audit commission consultation for the 2015/16 proposed work programme and scale fees.	● Low	<p>On the 13th October 2014 The Audit Commission published for consultation the 2015/16 proposed work programme and scales of fees.</p> <p>Separate documents cover the Commission's work programme at local government and police bodies, and at health bodies. The consultation sets out the work that auditors will undertake at principal audited bodies for 2015/16, with the associated scales of fees. The Department for Communities and Local Government (DCLG) has asked the Audit Commission to set fees for 2015/16 before the Commission's closure on 31 March 2015.</p> <p>They are proposing to reduce scale fees by a further 25 per cent from 2015/16. They do not plan to make changes to the overall work programme. The fee reduction will apply to all principal bodies, with the exception of 15 local government bodies whose scale audit fees are already below £20,000, and of the fees for pension fund audits at local authorities.</p> <p>The 25 per cent fee reduction has been achieved as a result of the recent procurement exercise to retender the work undertaken under the older contracts with audit firms, and is in addition to the 40 per cent cut in fees made by the Commission in 2012. These savings are part of the legacy the Commission will leave behind after March 2015, with the lowest total audit fees for 25 years.</p> <p>The Commission is also making further rebates in respect of audit fees to audited bodies, returning another £6 million to most principal bodies, excluding CCGs.</p> <p>The rebates will be paid by cheque directly to audited bodies in October 2014. The rebates result from the efficient management of the Commission's closure. The Commission's Board will consider in March 2015 the amount of any final rebate on audit fees.</p> <p>The consultation closed on Friday 9 January 2015. The Commission will publish the final work programme and scales of fees for 2015/16 in March 2015.</p> <p>The consultation documents, and the lists of individual scale fees, are available on the Audit Commission website: http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/ </p>	<i>The Committee may wish to enquire of officers whether they responded to the consultation and the details of any response.</i>

Area	Level of Impact	Comments	KPMG perspective
Transfer of Audit Commission responsibilities from 1 April 2015	● Low	<p>The work that auditors will carry out on the 2015/16 accounts will be completed under the new Code of Audit Practice that the National Audit Office (NAO) is developing. Under the Local Audit and Accountability Act 2014, the Commission's responsibility to prepare and publish a Code transfers to the NAO.</p> <p>From 1 April 2015, Public Sector Audit Appointments (PSAA), set up by the Local Government Association as an independent company, will oversee the Audit Commission's audit contracts until they end in 2017, or 2020 if extended by DCLG. PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for housing benefit subsidy certification and for publishing the Commission's value for money profiles tool will also transfer to PSAA.</p> <p>The Commission's other functions will also transfer to new organisations, with local value for money studies as well as responsibility for the Code of Audit Practice transferring to the National Audit Office, the National Fraud Initiative to the Cabinet Office, and the counter-fraud functions to Chartered Institute of Public Finance and Accounting (CIPFA).</p> <p>The Audit Commission will be writing to audited bodies and other stakeholders in the coming months with more information about the transfer of the Commission's functions and where to find details on specific questions.</p>	<i>The Committee may wish to enquire of officers whether they have received any such communications from the Audit Commission and the details of any response.</i>

Area	Level of Impact	Comments
<p>The Audit Commission has updated the guidance for auditors on the conclusion on arrangements to secure value for money (VFM) for 2014/15 local VFM work.</p>	<p>● For information</p>	<p>The Audit Commission has updated the guidance for auditors on the conclusion on arrangements to secure value for money (VFM) for 2014/15 local VFM work. The guidance supports auditors' work on arrangements to secure VFM at the various types of audited body including police bodies.</p> <p>The key principles underpinning the Commission's approach on the conclusion on arrangements to secure VFM continue to be that it:</p> <ul style="list-style-type: none"> ■ enables auditors to fulfil their responsibility under the Audit Commission Act 1998, relating to an audited body's arrangements to secure economy, efficiency and effectiveness; and ■ is applied proportionately to reflect the size, capacity and performance of different types of audited body and, as far as possible, consistently across all sectors of the Commission's regime. <p>The main changes in the update for 2013/14 are set out in section 1.1 of the guidance. These are:</p> <ul style="list-style-type: none"> ■ sections 1 and 2 updated to reflect changes relating to the Commission's closure in March 2015; ■ sector context and risk indicators updated for sections 3 to 6; ■ section 4 on Clinical Commissioning Groups (CCGs) updated to apply the specified reporting criteria, recognising that 2014/15 represents CCGs' second full year of operations; and ■ section 8 on reporting updated to emphasise further the type of conclusions that can be issued at different bodies, and when these may or may not be appropriate. <p>The updated guidance is now available on the Audit Commission's website: http://www.audit-commission.gov.uk/audit-regime/codes-of-audit-practice/value-for-money-conclusion/</p>

Area	Level of Impact	Comments
NAO VFM study looking at the financial sustainability of Police Forces.	<p>●</p> <p>For information</p>	<p>The National Audit Office (NAO) is conducting a value for money study looking at the financial sustainability of police forces in England and Wales. The fieldwork for the study started in October 2014 and continues until February 2015 with a planned publication date of June 2015.</p> <p>The study includes visits to a number of police forces in England and Wales which are now getting started and will take place until the end of February. The police areas in England selected by NAO for a visit are:</p> <ul style="list-style-type: none"> ■ The Metropolitan Police; ■ West Midlands Police; ■ West Yorkshire Police; ■ Avon and Somerset Police; ■ Lincolnshire Police; and ■ West Mercia Police and Warwickshire Police (to be covered as a single case study).

Area	Level of Impact	Comments
HMIC have published a report looking at the integrity of crime data in police forces in England and Wales	 For information	<p>Her Majesty's Inspectorate of Constabulary (HMIC) has published a report looking at the integrity of crime data in police forces in England and Wales.</p> <p>The report concludes that overall, police are failing to record a significant proportion of the crimes reported to them each year by the public. The picture at a local level is more mixed, however, with some forces doing very well while others are performing very poorly. The report also notes that since the inspection took place, some forces have already taken significant steps to improve practices.</p> <p>The report can be found on the HMIC website: http://www.justiceinspectorates.gov.uk/hmic/wp-content/uploads/crime-recording-making-the-victim-count.pdf</p> <p>The local reports can be found on the HMIC website: http://www.justiceinspectorates.gov.uk/hmic/publication/crime-data-integrity-force-reports/</p>



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Appendix

Appendix 1 – 2014/15 Audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2014	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2015	Complete
Interim			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the PCC's and CC's arrangements for securing value for money in the use of its resources.	If required	TBC
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on value for money arrangements.	September 2015	TBC
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2015	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2015	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2015	TBC



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