

For Information / Consideration	
Public/Non Public*	Public
Report to:	Joint Audit and Scrutiny Panel
Date of Meeting:	18th February 2014
Report of:	Interim Chief Finance Officer
Report Author:	James Molloy
E-mail:	
Other Contacts:	Adrian Benselin - KPMG
Agenda Item:	13b

EXTERNAL AUDIT PROGRESS REPORT

1. Purpose of the Report

- 1.1 To provide members with an update on progress on the work that External Audit plan to take as part of 2013/14 Audit Plan.

2. Recommendations

- 2.1 Members are recommended to consider the report and where appropriate make comment or request further work in relation to specific audits to ensure they have adequate assurance from the work undertaken.

3. Reasons for Recommendations

- 3.1 This complies with good governance and in ensuring assurance can be obtained from the work carried out.

4. Summary of Key Points

- 4.1 The attached report sets out a high level summary of the work to be undertaken

5. Financial Implications and Budget Provision

- 5.1 None as a direct result of this report.

6. Human Resources Implications

- 6.1 None as a direct result of this report.

7. Equality Implications

- 7.1 None as a direct result of this report.

8. Risk Management

8.1 None as a direct result of this report.

9. Policy Implications and links to the Police and Crime Plan Priorities

9.1 This report complies with good governance and financial regulations.

10. Changes in Legislation or other Legal Considerations

10.1 None

11. Details of outcome of consultation

11.1 Not applicable

12. Appendices

12.1 Appendix A - **Joint Audit and Scrutiny Panel Progress Report**



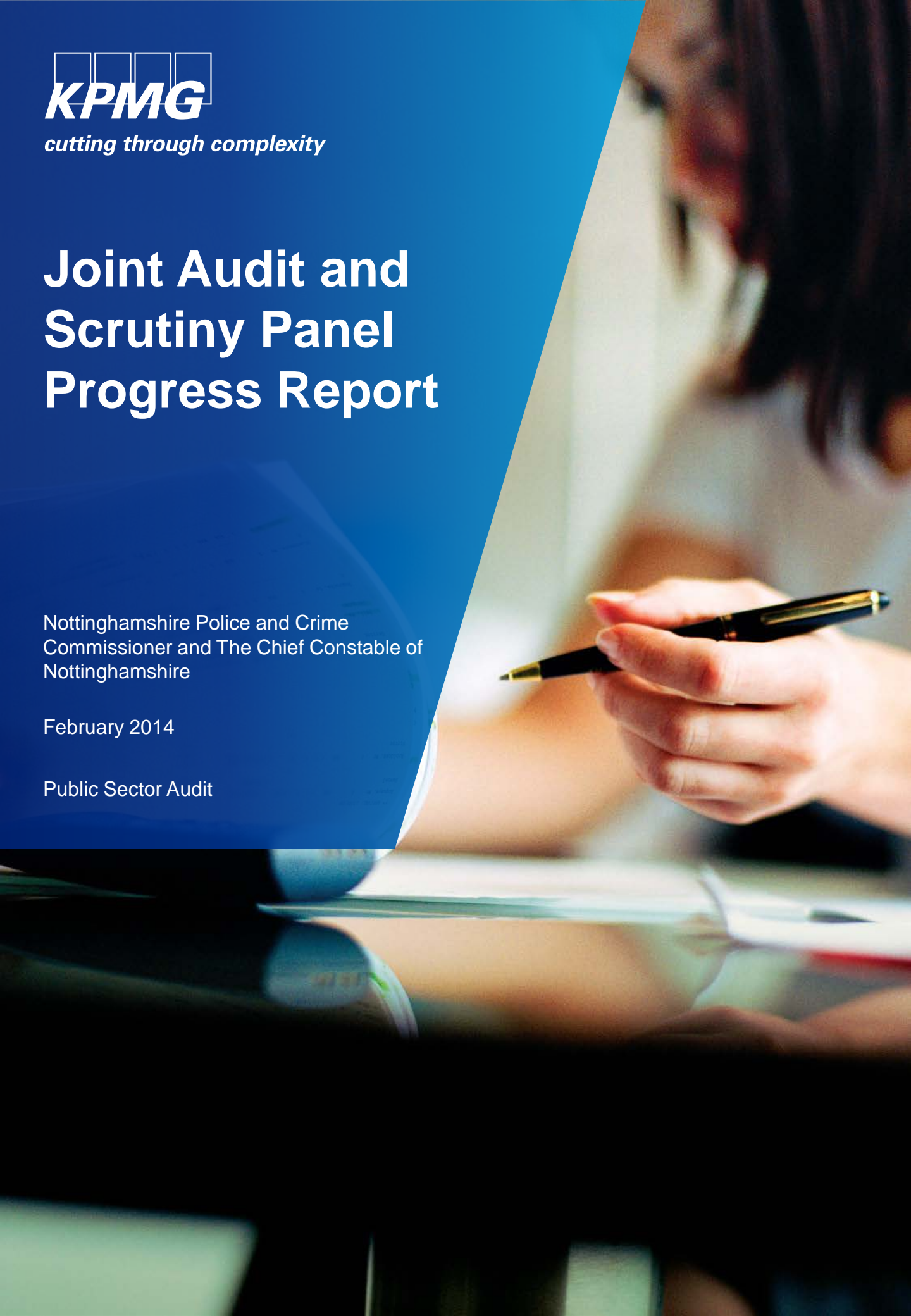
cutting through complexity

Joint Audit and Scrutiny Panel Progress Report

Nottinghamshire Police and Crime
Commissioner and The Chief Constable of
Nottinghamshire

February 2014

Public Sector Audit



Joint Audit and Scrutiny Panel Progress Report

Headlines

Introduction

We are currently in the process of undertaking our planning work to support the detailed Audit Plan for 2013/14.

This progress report provides a high level summary of the work we plan to undertake for the 2013/14 audit year, together with a high level assessment of the risks that we have considered as part of this initial planning process.

The Audit Commission are aware of the uncertainties surrounding the accounting arrangements for the Stage 2 transfer. They are liaising with CIPFA who will produce a LAAP bulletin in March, providing definitive guidance on the form and content of the financial statements. Therefore it is appropriate for us not to issue our detailed Audit Plan until this guidance has been published. We will present our detailed Audit Plan for 2013/14 to the Panel at its meeting in June 2014.

Scope of our audit

Our audit work is governed by:

- The Audit Commission Act 1998;
- The Audit Commission Code of Audit Practice; and
- International Standards on Auditing.

We provide:

- An opinion on the financial statements of the Police and Crime Commissioner and the Chief Constable; and
- A value for money conclusion.

The scope of our work is clarified further in the Audit Commission's 'Statement of roles and responsibilities of auditors and of audited bodies'.

Further information in relation to the scope of our work to support the value for money conclusion is available on the Audit Commission's website at <http://www.audit-commission.gov.uk/technicaldirectory/vfm1314/>

Proposed timing of audit work

The timing of our audit work will follow a similar pattern to 2012/13.

- Interim audit visit – review financial systems, understand financial performance to date, identify key risks for the audit of the financial statements, undertake the initial work to support our value for money conclusion. This visit will take place in April.
- Final accounts visit - audit of the financial statements and the Annual Governance Statement. This visit will take place in July. Our work will be complete before 30 September 2014, in line with statutory deadlines.

We will continue our ongoing communication with the finance team during the year to ensure early resolution of any technical issues raised. We will provide feedback to the Panel on any potential risk areas arising during year.

Potential risks for the 2013/14 Audit Plan

At this stage, we have highlighted the following potential risk areas for the Audit Plan:

- Format, content and presentation of the financial statements;
- The recent employment tribunal regarding Nottinghamshire's use of regulation A19; and
- Value for money conclusion.

Details are set out on the following page.

Joint Audit and Scrutiny Panel Progress Report

Headlines			
Potential accounts risks	<p>Members of the Panel will recall that in last year's audit plan, we highlighted the format, content and presentation of the financial statements as a potential risk. The key challenge faced by the PCC and CC in the accounts production was the format of the accounts, as the Code guidance had not been sufficiently detailed to provide a full framework on which to base the two sets of financial statements and the group financial statements. The PCC and CC made good progress in compiling the financial statements to ensure that they complied with existing code requirements, available guidance and were prepared within the statutory timescales.</p> <p>There is still no clear guidance on the expected format and content of financial statements for police bodies.</p> <p>We will continue to work with your finance staff to discuss this issue on an ongoing basis.</p> <p>A recent employment tribunal has ruled that Nottinghamshire's use of regulation A19 to require officers with more than 30 years' pensionable service to retire was unlawful. We need to assess the financial impact of the tribunal decision on the 2013/14 financial statements. For example we would expect there to be a material financial impact in terms of contingent liabilities and/or provisions this year.</p>		
Potential value for money risks	<p>For the year ending 31 March 2014, the auditors of PCCs and CCs are required to give their statutory conclusion on arrangements to secure value for money based on the two criteria specified by the Audit Commission.</p> <p>This is a change from 2012/13, when the criteria were disapplied for PCCs and CCs outside London. This was to reflect the transition to new governance arrangements introduced by the Police Reform and Social Responsibility Act 2011. 2013/14 will be the first year that we will apply the specified criteria to what are still relatively new organisations. This will be a common risk for all police bodies.</p> <p>The specified criteria are:</p> <ul style="list-style-type: none"> ■ The organisation has proper arrangements in place for securing financial resilience. <i>The organisation 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.</i> ■ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. <i>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</i> <p>The employment tribunal issue mentioned above also has an impact on your level of reserves and future spending plans, so we need to consider your financial standing and ongoing financial resilience as part of our value for money conclusion work.</p>		
Actions	<p>The Joint Audit and Scrutiny Panel is asked to:</p> <ul style="list-style-type: none"> ■ Note progress to date; and ■ Note that there have been no significant audit findings to date. 		
Contacts	<p>The contacts in relation to our audit are:</p> <table> <tr> <td> <p>John Cornett Director 0116 256 6064 John.Cornett@KPMG.co.uk</p> </td><td> <p>Adrian Benselin Manager 0116 256 6089 Adrian.Benselin@KPMG.co.uk</p> </td></tr> </table>	<p>John Cornett Director 0116 256 6064 John.Cornett@KPMG.co.uk</p>	<p>Adrian Benselin Manager 0116 256 6089 Adrian.Benselin@KPMG.co.uk</p>
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