



cutting through complexity

External audit progress report and technical update

Police and Crime
Commissioner for
Nottinghamshire & Chief
Constable for Nottinghamshire
June 2015

External audit progress report – June 2015

This document provides the 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 Audit Committee we have: <ul style="list-style-type: none">■ Completed the interim audit work which involved testing significant financial systems and assessment of the financial control environment. We have identified no significant risks and have gained the planned level of assurance from our work.■ Undertaken work to support our VFM conclusion following guidance specified by the Audit Commission in terms of the scope and focus of the work.■ Prepared our technical update (see overleaf).		
Summary of upcoming work	Our upcoming work ahead of the next meeting of the Audit Committee includes: <ul style="list-style-type: none">■ Undertaking the financial statements audit which is scheduled for July 2015. We will assess your closedown arrangements, plan and perform substantive audit procedures and review the Annual Governance Statement. We will conclude on critical accounting matters and identify and report audit adjustments.■ Completing the review of your value for money arrangements against the two criteria specified by the Audit Commission, and forming our VFM conclusion.		
Actions	We ask the Audit Committee to: <ul style="list-style-type: none">■ NOTE this progress report and technical update.		
Contacts	The key contacts in relation to our audit are:		
	Andrew Cardoza Director 07711 869957 andrew.cardoza@kpmg.co.uk	Simon Lacey Manager +44 (0)115 945 4484 simon.lacey@kpmg.co.uk	Anita Pipes Assistant Manager +44 (0)115 945 4481 anita.pipes@kpmg.co.uk

We present below recent policy announcements and publications which we would like to draw to the attention of the Audit Committee.

KPMG Publications: Audit Committee Institute – Global Audit Committee Survey

To help identify the key challenges and concerns facing audit committees, boards, and their companies today, KPMG's Audit Committee Institute surveyed some 1,500 audit committee members in more than 36 countries.

A range of timely issues were explored including:

- The audit committee's workload and agenda
- Risk and information quality
- Oversight of auditors
- Audit committee effectiveness and mechanics

Our survey identifies broad international trends and provides detailed country data on audit committee challenges and concerns in different geographies.

Whilst focused on a company setting, the issues are relevant within the police setting and our survey findings can serve as an important reference – for benchmarking current practices, identifying gaps and emerging risks, and sparking fresh conversations about how audit committees and boards are strengthening their oversight and keeping pace in an uncertain and, at times, volatile business environment.

The survey can be viewed at: <https://www.kpmg-institutes.com/content/dam/kpmg/auditcommitteeinstitute/pdf/2015/2015-global-audit-committee-survey.pdf>



Issue	Impact on the Trust and insight from KPMG
<p>Criminal Justice System continues to fail disabled victims</p> <p>A follow up review by HMIC into how the police, the Crown Prosecution Service and the probation service deal with disability hate crime reports that all three organisations have failed to comply and act on recommendations made in a previous report from March 2013. That report, “Living in a different world: A joint review of Disability Hate Crime” made seven recommendations for police, CPS and probation trusts to implement within a specific timescale. These included the need for a single and clear definition of disability hate crime and the requirement for police to ensure every opportunity is taken to identify victims. Police, prosecutors and probation officers were also recommended to undertake training around disability hate crime to improve their investigative, tribunal and rehabilitation skills.</p> <p>The recommendations were designed to improve performance and embed good working practices, acknowledging that disability hate crime should be treated the same as other hate crimes such as race, religion, sexual orientation or transgender.</p> <p>Although this follow up report has identified some examples of good practice relating to awareness-raising at a national level, neither the police nor the CPS has succeeded in significantly improving performance at an operational level.</p> <p>The report can be accessed here http://www.justiceinspectorates.gov.uk/hmic/publication/joint-review-of-disability-hate-crime-follow-up/</p>	<p>The Audit Committee should be aware of this follow up review.</p>
<p>Crime and Policing Comparator</p> <p>HMIC has published the Crime and Policing Comparator which allows a comparison of data on recorded crime and anti-social behaviour (ASB), quality of service, finances and workforce numbers for all police forces in England and Wales. HMIC validates and publishes this data, which is submitted by police forces. It can be accessed here http://www.justiceinspectorates.gov.uk/hmic/crime-and-policing-comparator/</p>	<p>The Audit Committee may wish to enquire as to how this comparative data is used.</p>
<p>Criminal Justice Joint Inspection Joint Business Plan 2015/16</p> <p>Criminal Justice Joint inspection is carried out by the four Criminal Justice inspectorates, HM Inspectorate of Constabulary, HM Crown Prosecution Service Inspectorate, HM Inspectorate of Probation and HM Inspectorate of Prisons. The Business Plan for 2015/16 was published in March 2015.</p> <p>A joint inspection programme is required by statute (Police and Justice Act 2006) and this programme has been subject to consultation (with Ministers and other inspectorates) during the period November 2014 – January 2015.</p> <p>The cross-cutting areas of focus are: community safety; bringing offenders to justice; offender management; custodial conditions; the victim and witness experience; equality and diversity (in the CJS); and, overall and throughout each individual inspection, consideration of value for money. The document can be accessed here http://www.justiceinspectorates.gov.uk/hmic/news/news-feed/criminal-justice-joint-inspection-joint-business-plan-2015-16/</p>	<p>This item is brought to the attention of the Audit Committee for information.</p>

Issue	Impact on the Trust and insight from KPMG
<p>HMIC inspection programme 2015/16</p> <p>Following consultation earlier this year, HMIC has now published its inspection programme for the year ahead. To help forces with planning, they will publish an up-to-date schedule every month, showing the inspections they are carrying out, and what stage they are at. For the first time, this shows how the schedule for each inspection is split between planning, fieldwork, and reporting stages. The programme can be accessed at http://www.justiceinspectors.gov.uk/hmic/publication/hmic-inspection-programme-2015-16/</p>	<p>The Audit Committee should be aware of the inspection programme.</p>

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	Not required
Substantive procedures			
Report to those charged with governance (ISA260 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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Chief Constable
Nottinghamshire Police
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Our ref ac/dc/49

28 April 2015

Dear Chris

Annual audit fee 2015/16

I am writing to confirm the audit work and fee that we propose for the 2015/16 financial year at Nottinghamshire Police.

Closure of the Audit Commission

Although the Audit Commission formally closed at the end of March 2015, it was responsible for setting audit fees for the audit of the 2015/16 financial year. Our fee proposals are therefore based on the Audit Commission's *Work Programme & Scales of Fees 2015/16*.

Following the closure of the Audit Commission, responsibility for determining audit fees in the future has transferred to Public Sector Audit Appointments Limited (PSAA), an independent company established by the Local Government Association. PSAA will oversee the management of the Audit Commission's audit contracts until they end in 2017, or 2020 if they are extended. The Secretary of State for Communities and Local Government has delegated certain functions formerly exercised by the Audit Commission to PSAA to enable it to deliver these functions.

Also following the Audit Commission's closure, the National Audit Office (NAO) is now responsible for producing and maintaining the Code of Audit Practice (the Code) and providing supporting guidance to auditors. We will follow the requirements of the Code and supporting guidance when delivering our audit work.

Planned audit fee

The planned audit fee for 2015/16 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

Audit area	Planned fee 2015/16	Planned fee 2014/15
Audit fee – Chief Constable Nottinghamshire	£15,000	£20,000

In general, the Audit Commission set 2015/16 scale fees based on a reduction of 25 per cent to the fees applicable for 2014/15. This reduction is in addition to the savings of up to 40 per cent in scale audit fees in 2012. The planned fee is in line with the scale fee.

As we have not yet completed our audit for 2014/15 the audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

Factors affecting audit work for 2015/16

We tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering changes affecting our audit responsibilities or financial reporting standards.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources. The 2015/16 fees have been set on the basis that the NAO's Code maintains the scope of work required by auditors under the Audit Commission's previous Code and supporting guidance. The NAO has not yet published guidance for auditors on the required approach to work on value for money arrangements for 2015/16.

Assumptions

The indicative fees is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued later this year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report for the Joint Audit and Scrutiny Panel, outlining the reasons why the fee needs to change.



We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2.

The proposed fee excludes any additional work we may agree to undertake at the request of the Chief Constable for Nottinghamshire. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

Our team

The key members of our audit team for the 2015/16 audit are:

Name	Role	Contact details
Andrew Cardoza	Director	Andrew.Cardoza@kpmg.co.uk 0121 232 3869
Simon Lacey	Manager	Simon.Lacey@kpmg.co.uk 0115 945 4484
Anita Pipes	Assistant Manager	Anita.Pipes@kpmg.co.uk 0115 945 4481

Quality of service

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Trevor Rees (on 0161 246 4063, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to:

Public Sector Audit Appointments Limited
3rd Floor
Local Government House
Smith Square
London
SW1P 3HZ



KPMG LLP
Annual audit fee 2015/16
28 April 2015

Yours sincerely

A handwritten signature in black ink, appearing to read "Cardoza", written over a horizontal line.

Andrew Cardoza
Director

Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2014/15;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2015/16 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by KPMG, PSAA, the NAO or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Joint Audit and Scrutiny Panel.

Planned output	Indicative date
External audit plan	January 2016
Report to those charged with governance (ISA260 report)	September 2016
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2016
Opinion on Whole of Government Accounts return	September 2016
Annual audit letter	October 2016



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Charlie Radford
Police & Crime Commissioner for
Nottinghamshire
Arnot Hill House
Arnot Hill Park
Arnold
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Dear Charlie

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Planned audit fee

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Audit area	Planned fee 2015/16	Planned fee 2014/15
Audit fee – Police and Crime Commissioner for Nottinghamshire	£35,220	£46,960

In general, the Audit Commission set 2015/16 scale fees based on a reduction of 25 per cent to the fees applicable for 2014/15. This reduction is in addition to the savings of up to 40 per cent in scale audit fees in 2012. The planned fee is in line with the scale fee.

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We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2.

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KPMG LLP
Annual audit fee 2015/16
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