

Office of the Police & Crime Commissioner for Hampshire and the Chief Constable of Hampshire Constabulary

Progress Report to the Joint Audit Committee

20 January 2016



EY

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working world

Joint Audit Committee
Office of the Police and Crime Commissioner for Hampshire
St George's Chambers
St George's Street
Winchester
SO23 8AJ

20 January 2016

Audit Progress Report – 2015/16

We are pleased to attach our Audit Progress Report.

This report summarises the planned work for the 2015/16 audit and the work undertaken to date. Its purpose is to provide the Joint Audit Committee with an overview of the stages for the 2015/16 audit and ensure our audit is aligned with the Committee's service expectations.

Our audits for the Police and Crime Commissioner (PCC) and the Chief Constable (CC) are undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully



Helen Thompson
Ernst & Young LLP
United Kingdom
Enc.

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of Responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Work planned

Financial statements

We are required to give an audit opinion on whether the financial statements of The Office of the Police & Crime Commissioner for Hampshire (the PCC) and The Office of the Chief Constable for Hampshire Constabulary (the CC) give a true and fair view of the financial positions as at 31 March 2016 and of the income and expenditure for the year then ended.

We recognise the manner in which these two bodies are inter-linked and operate based on the governance documents and scheme of consents that have been adopted. Therefore, whilst each is a separate audit engagement, our approach recognises the programme of work required has much in common.

We adopt a risk based approach to the audit and as part of our ongoing continuous planning we continue to meet key officers and other stakeholders.

2015/16 Planning

On 16 November 2015, we met senior officers who produce and approve the accounts for Hampshire County Council, Hampshire Police and Hampshire Fire and Rescue Authority, including senior officers of the Integrated Business Centre. The purpose of this meeting was for us to share our experiences of the 2014/15 accounts production and audits, agree what went well and also what could be done further to improve working together.

It was a constructive morning where both the auditors and officers agreed a number of action points to take forward in planning the 2015/16 accounts production and audits. This included:

- ▶ how we will carry out an efficient audit of the shared services;
- ▶ more tailored supporting working papers with the aim of reducing the number of follow-up queries;
- ▶ greater use of analytics data; and
- ▶ a clearer escalation process.

Our audit timetable is summarised in Section 2 of this report. We have been carrying out detailed planning during December 2015 and January 2016, when we identify and walk through your material income and expenditure systems. We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will include the risks associated with both the PCC's and the CC's Financial Statements and the Value for Money Assessment in our Audit Plan which we will present to the Joint Audit Committee in March 2016.

Value for money assessment

We are required to give a statutory conclusion on the PCC's and CC's arrangements to secure economy, efficiency and effectiveness. The Public Sector Audit Appointments (PSAA) Ltd has revised the specified criterion for the value for money conclusion for the 2015/16 audit to be:

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.

1. The overall criterion is supported by three sub-criteria, designed to help us structure our risk assessment. There is no requirement for us to conclude, or report, against the sub-criteria. Informed decision-making
 - ▶ Acting in the public interest, through demonstrating and applying the principles and values of sound governance
 - ▶ 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
 - ▶ Reliable and timely financial reporting that supports the delivery of strategic priorities
 - ▶ Managing risks effectively and maintaining a sound system of internal control
2. Sustainable resource deployment:
 - ▶ Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions
 - ▶ Managing and utilising assets effectively to support the delivery of strategic priorities
 - ▶ Planning, organising and developing the workforce effectively to deliver strategic priorities
3. Working with partners and other third parties
 - ▶ Working with third parties effectively to deliver strategic priorities
 - ▶ Commissioning services effectively to support the delivery of strategic priorities
 - ▶ Procuring supplies and services effectively to support the delivery of strategic priorities

We will continue to have regard to the work of HMIC in our work.

The full VFM guidance provided by the NAO for 2015/16 can be viewed at:

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

2014/15 additional fees

We reported, in our Audit Results Report on 21 September 2015, that the audit took longer than planned, due primarily to the change of financial system in year and the national issues resulting from Milne v GAD:

- ▶ The change in financial system led to an additional set of nine system walk-throughs, as we were required to document the controls within both the E-Financials and the SAP General Ledger.
- ▶ The first seven months transactions were archived within the E-Financials system, and it was more time consuming than either we, or officers, had anticipated to access the required information to substantiate samples selected for testing.
- ▶ There were numerous late changes, and discussions, relating to the disclosure of the Milne v GAD decision.

We have subsequently discussed the implications of this with the Chief Financial Officer for the PCC, and agreed an additional fee of £10,500 which has also been approved by our regulator, the Public Sector Audit Appointments Ltd (PSAA) Ltd.

As set out earlier in this update, we are working closely with officers to learn from last year, and identify how we can streamline and improve the accounts production and audit process. This will also put us in a better position to address the challenges of completing the audit by 31 July 2018.

Local appointment of auditors

The Department of Communities and Local Government (DCLG) has announced that it has decided not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. From 2018/19 onwards, local bodies, including the PCC and CC, will be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

Although the new approach to local audit does not come into play until 2018/19, bodies will need to start putting in place the mechanism required to deliver this. As part of the process, bodies will need to set up auditor panels to advise on the selection, appointment and removal of external auditors, and on maintaining an independent relationship with them. These will need to be in place by early 2017, with the procurement process taking place in spring 2017 and external auditors being appointed by December 2017.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years.

Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 Joint Audit Committee cycle. We will provide formal reports to the Joint Audit Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Associated Joint Audit Committee	Status
High level planning	November 2015 – January 2016	<ul style="list-style-type: none"> Audit Fee Letter 	March 2015	Completed
Risk assessment and setting of scope of audit	February – March 2016	<ul style="list-style-type: none"> Audit Plan 	March 2016	
Testing of routine processes and controls	February – March 2016	<ul style="list-style-type: none"> Audit Plan 	March 2016	
Year-end audit	July - September 2016	<ul style="list-style-type: none"> Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the PCC and CC have put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate 	September 2016	
Annual Reporting	October 2016	<ul style="list-style-type: none"> Annual Audit Letter 	December 2016	

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