

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

## Progress Report to the Joint Audit Committee

4 December 2014



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## **Audit Progress Report – 2014/15**

We are pleased to attach our Audit Progress Report.

This report summarises the planned work for the 2014/15 audit and the work undertaken to date. Its purpose is to provide the Joint Audit Committee with an overview of the stages for the 2014/15 audit and ensure our audit is aligned with the Committee's service expectations.

Our audits are undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, 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  
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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 2015 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, this update 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.

### General ledger changeover

On 3 November 2014, the PCC's and CC's 2014/15 financial data was transferred to the SAP General Ledger system, from Efinancials, as part of the move to the Hampshire Integrated Business Centre for the County, Police and Fire services. As part of our early planning, we reviewed the data migration process between the two systems. Officers report that the transfer was successful. We will carry out further additional testing as part of the audit.

### 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 Audit Commission has reapplied the two specified criteria for the value for money conclusion for the 2014/15 audit. Our work will therefore focus on:

- ▶ arrangements for securing financial resilience - whether the PCC and CC have robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables them to continue to operate for the foreseeable future; and
- ▶ arrangements for securing economy, efficiency and effectiveness - whether the PCC and CC are prioritising resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

### Audit Plan

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 June 2015.

# Future of Local Audit

## Consultation on Local Audit Regulations

As part of its consultation on Local Audit Regulations associated with the Local Audit and Accountability Act, which ended on 18 July 2014, the government is proposing to bring forward the dates for the accounts to be signed and certified by the Responsible Financial Officer, then approved and published, from 30 June and 30 September respectively to 31 May and 31 July respectively. They propose that this change would take place from the 2017/18 accounts, but hope that audited bodies will move to the new timetable as soon as possible.

The consultation also covered collective auditor procurement by a specified person. Under the intended regulations, authorities would be able to opt in to sector-led procurement arrangements, and have an auditor appointed on their behalf, rather than appointing their own auditor locally. Under the draft regulations, the Secretary of State may specify the Appointing Person, and may specify different appointing persons for different groups or types of audited bodies. The outcome of the consultation is expected to be released shortly.

## Redistribution of the work of the Audit Commission

The arrangement to redistribute the work of the Audit Commission, and transferring Commission staff into the successor bodies, will secure the ongoing impact of the Commission's core work for the public sector. It will also ensure that the Commission's legacy is more than just financial.

From 1 April 2015 a transitional body, Public Sector Audit Appointments Limited (PSAA), an independent company set up by the Local Government Association, will oversee the Commission's audit contracts until they end in 2017 (or 2020 if extended by the Department for Communities and Local Government). 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 the PSAA.

Responsibilities for publishing the statutory Code of Audit Practice, guidance for auditors and local value for money studies will transfer to the National Audit Office. Responsibility for the National Fraud Initiative and for the Commission's counter-fraud function will transfer to, respectively, the Cabinet Office and the Chartered Institute of Public Finance and Accountancy.

## Audit fee consultation for 2015/16

In its last full year of operation before being officially wound down on 31 March 2015, the Audit Commission has announced that it is reducing audit fees by approximately £30 million between 2015 and 2017. If the government decides to extend and lock in the 2012 and 2014 audit contracts until 2020, it is expected that the total value of savings to local government, police, fire and NHS bodies would be approximately £440 million.

The announcement came as the Commission launched its final consultation on work programme and scales of audit fees. These relate to the 2015/16 financial year. The fees will reduce by 25 per cent, following the Commission's successful retendering in March 2014 of the work done under its older contracts. The latest reduction is in addition to the 40 per cent drop in fees made by the Commission in 2012.

In addition to the above savings, the Commission also intends to return approximately £6 million as a rebate to Local Government and NHS bodies in 2014/15

## 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 2014/15 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	<b>November – January 2015</b>	<ul style="list-style-type: none"> <li>Audit Fee Letter</li> </ul>	December 2014	The fee letters for the PCC and the CC were agreed with the respective CFO's in April 2014. We present them to the December JAC at the start of the 2014/15 audit.
Risk assessment and setting of scope of audit	<b>February – March 2015</b>	<ul style="list-style-type: none"> <li>Audit Plan</li> </ul>	June 2015	We reviewed the data migration from the old general ledger to the new general ledger in November. The risks around data migration will be considered as part of our high level planning.
Testing of routine processes and controls	<b>February – March 2015</b>	<ul style="list-style-type: none"> <li>Audit Plan</li> </ul>	June 2015	
Year-end audit	<b>July - September 2015</b>	<ul style="list-style-type: none"> <li>Audit results report to those charged with governance</li> <li>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)</li> <li>Whole of Government Accounts Submission to NAO based on their group audit instructions</li> <li>Audit Completion certificate</li> </ul>	September 2015	
Annual Reporting	<b>October 2015</b>	<ul style="list-style-type: none"> <li>Annual Audit Letter</li> </ul>	December 2015	





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