

# Audit Progress Report

Office of the Cleveland Police and Crime Commissioner  
Chief Constable for Cleveland



December 2017



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Our reports are prepared in the context of the Public Sector Audit Appointment Limited's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Office of the Cleveland Police and Crime Commissioner and Chief Constable for Cleveland and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

# Audit progress

## **Purpose of this report**

The purpose of this paper is to provide the Joint Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Finally, please note our website address ([www.mazars.co.uk](http://www.mazars.co.uk)) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

## **Progress on our 2016/17 Audit**

At the Committee's September meeting, we reported, including our update letter and verbal update, that we had completed our work on the 2016/17 Commissioner's and Chief Constable's financial statements and VFM conclusion.

Following the meeting, on 21 September 2017, we issued an unqualified:

- opinion on the Commissioner's and Chief Constable's 2016/17 financial statements; and
- value for money conclusion for both the Commissioner and the Chief Constable.

On the same day, we also submitted our assurance statement on the whole of government accounts return which was below the threshold set by the National Audit Office.

Since the Committee last met we have also prepared, agreed and issued our Annual Audit Letters for the Commissioner and for the Chief Constable for the 2016/17 audit year. The reports will be presented to the Committee at its December 2017 meeting.

Appendix 1 provides a final summary of progress for our 2016/17 audits.

## **Progress on our 2017/18 Audit**

In the next quarter, we will begin our initial planning work in relation to the 2017/18 audit.

We will continue to liaise with senior management and review minutes, which will inform our risk assessment for our 2017/18 audit. We will issue our Audit Strategy Memorandum to the Committee in early 2018, which will set out the risks we have identified for the Commissioner and Chief Constable and the programme of work we plan to carry out in response to those risks.

We will also discuss progress on meeting the earlier closedown timetable for the accounts in 2017/18. This will include identifying ways of carrying out audit work earlier to reduce the pressure of work in the period between the preparation of your financial statements (by 31 May) and the audit deadline (31 July).

# National publications and other updates

	National publications and other updates
1.	Procurement of audit services delivers outstanding results, Public Sector Audit Appointments Ltd, June 2017
2.	Online Fraud, NAO, June 2017
3.	Annual Regulatory Compliance and Quality Report 2016-17, Public Sector Audit Appointments Ltd, August 2017
4.	Cyber security and information risk guidance for Audit Committees, NAO, September 2017
5.	Framework to review programmes, NAO, September 2017

## 1. Procurement of audit services, Public Sector Audit Appointments Ltd, June 2017

In June 2017, Public Sector Audit Appointments Limited (PSAA) reported the outcome of its national procurement of audit contracts for local government and related bodies that will run for five years from the 2018/19 audits, with an option to extend by a further two years. The procurement applied to those bodies which opted to be part of it, which included the Office of the Cleveland Police and Crime Commissioner and Chief Constable for Cleveland.

As part of the procurement, Mazars increased its national market share of this work from approximately 6% to 18%. The other firms that were successful in winning market shares were Grant Thornton, EY, BDO and Deloitte. The five current firms providing this work are Mazars, Grant Thornton, EY, BDO and KPMG.

PSAA estimated that the procurement pointed to a possible scale fee reduction of the order of 18% from 2018/19 audits. PSAA is currently consulting bodies on individual auditor appointments.

<http://www.psaa.co.uk/archive/press-release-procurement-of-audit-services-delivers-outstanding-results/>

## 2. Online Fraud, NAO, June 2017

Online fraud is now the most commonly experienced crime in England and Wales, but has been overlooked by government, law enforcement and industry.

<https://www.nao.org.uk/report/online-fraud/>

### 3. Annual Regularity, Compliance and Quality Report, Public Sector Audit Appointments Ltd, August 2017

Public Sector Audit Appointments Limited (PSAA) monitors the performance of all audit firms in its regime. The audit quality and regulatory compliance monitoring for 2016/17 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit internal quality monitoring;
- reviews (QMRs) of its financial statements and Value for Money (VFM) arrangements conclusion audit work;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of PSAA's inspection of each firm by the FRC's Audit Quality Review team (AQRT) as part of a commissioned rolling inspection programme of financial statements and VFM work;
- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firm's systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2015/16 work.

The report concludes the following in respect of Mazars LLP:

*"Mazars is meeting our standards for overall audit quality and our regulatory compliance requirements. We calculated the red, amber, green (RAG) indicator for overall audit quality and regulatory compliance using the principles detailed in Appendices 1 and 2. For 2016/17, Mazars' combined audit quality and regulatory compliance rating was green. The satisfaction survey results show that audited bodies are very satisfied with the performance of Mazars as their auditor. Mazars has maintained its performance against the regulatory compliance indicators since last year, with all of the 2016/17 indicators scored as green".*

**Figure 1: 2017 Comparative performance for audit quality and regulatory compliance**

	BDO	EY	Deloitte	PwC	Grant Thornton	KPMG	Mazars
2017	Amber	Amber	n/a	n/a	Amber	Amber	Green
2016	Green	Green	Green	Amber	Amber	Amber	Green
2015	Amber	Green	Amber	Amber	Amber	Amber	Green

For comparison, we have added in the previous years to the figure above taken from the report.

<http://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

#### **4. Cyber-security and information risk governance for Audit Committees, National Audit Office, September 2017**

Cyber incidents pose an increasing threat to public bodies' management of their information, with hacking, ransomware, cyber fraud and accidental information losses all present throughout the public sector. Government guidance makes it clear that cyber security is now an area of management activity that audit committees should scrutinise. Together with the rapidly changing nature of the risk, this means that audit committees need to understand whether management is adopting a clear approach, and whether the organisation is complying with its rules and standards, and is adequately resourced for cyber security. To aid them, this National Audit Office (NAO) guidance complements government advice by setting out high-level questions and issues for audit committees to consider. It also contains a link to a related report on on-line fraud, which NAO published earlier in the year, noting that online fraud is now the most commonly experienced crime in England and Wales, but has been overlooked by government, law enforcement and industry.

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

#### **5. Framework to review programmes, NAO, September 2017**

The NAO has published about 100 reports on major projects and programmes since 2010. Based on this experience, the framework draws together the key questions the NAO ask when reviewing major programmes.

The framework was developed for the NAO's value-for-money auditors to use when reviewing programmes, but may be useful to local auditors when considering value for money arrangements issues in relation to major projects. The report may also be useful to audited bodies when embarking on major projects or conducting post-implementation reviews.

There are 18 key questions, each illustrated with examples of good practice and lessons learnt from the previous reports.

The questions are structured into four sections:

- Purpose: Is there a strategic need for the programme and is this the right programme to meet the business need?
- Value: Does the programme provide value for money?
- Programme set-up: Is the programme set up in accordance with good practice and are risks being well managed?
- Delivery and variation management: Are mechanisms in place to deliver the intended outcomes and respond to change, and is the programme progressing according to plan?

<https://www.nao.org.uk/report/framework-to-review-programmes/>

# Appendix 1 – Position statement of 2016/17 audits

Planned output	Expected completion date	Draft report issued to management	Final report issued to management	Final report presented to Audit Committee	Comments
2016/17 Audit Fee Letters (individual letters for Commissioner and Chief Constable).	April 2016	N/A	April 2016	N/A	~
Audit Committee Progress Report and Briefing (joint for both Commissioner and Chief Constable).	N/A	N/A	N/A	N/A	To each and every meeting.
2016/17 Audit Strategy Memorandum (individual plans for Commissioner and Chief Constable).	March 2017	March 2017	March 2017	March 2017	~
2016/17 Audit Completion Reports, incorporating the opinion on the financial statements and VFM Conclusion.  Separate reports for Commissioner and Chief Constable.	September 2017	7 September 2017	18 September 2017	21 September 2017	~
2016/17 Annual Audit Letters.  Separate letters for Commissioner and Chief Constable.	October 2017	16 October 2017	31 October 2017	14 December 2017	~

# Contact details

Please let us know if you would like further information on any items in this report.

[www.mazars.co.uk](http://www.mazars.co.uk)

Cameron Waddell  
Partner  
0191 383 6300

[cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk)

Campbell Dearden  
Manager  
0191 383 6304

[campbell.dearden@mazars.co.uk](mailto:campbell.dearden@mazars.co.uk)

## Address

Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS