



2015/16 External Audit Progress Report and Technical Update

**Office of the Police and Crime Commissioner for Nottinghamshire
Nottinghamshire Chief Constable**

Joint Audit and Scrutiny Panel - June 2016

2015/16 external audit progress report - June 2016

This document provides the Joint Audit & Scrutiny Panel (JASP) with a high level overview of our progress against our 2015/16 external audit plan.

Since the last meeting of the Joint Audit & Scrutiny Panel (JASP) we have substantially completed our 2015/16 interim audit. We will continue to liaise with management on the significant financial and operational issues at the PCC/CC and relevant current and emerging issues in respect of the accounts and value for money conclusion.

Accounts Audit

We undertook our interim audit work during March 2016. The planned audit work has included:

- Updating our understanding and performing walk through and controls testing on key financial systems;
- Testing of controls for significant accounts;
- Determining our approach for data and analytics testing; and
- Discussing the accounting requirements for 2015/16, including relevant changes to the CIPFA guidance.

Interim Work – Financial Statements

We are pleased to report that our interim audit work on the financial statements has progressed well against the plan and we do not have any significant issues that may impact on our opinion at this stage.

We have, however, identified three issues that we wish to bring to your attention that we identified during our work:

- **Bank Reconciliations** – Through our testing of the bank reconciliations we identified that since moving to the electronic format within MFSS there was no longer any evidence maintained of who had prepared the bank reconciliation at MFSS and who had reviewed the bank reconciliation at Nottinghamshire Police. The Finance team agreed to include a text box to record the name and date of the review of the bank reconciliation in future and to request MFSS do the same when they prepare the bank reconciliation which has now been implemented.
- **Journals** – When we undertook testing of journals it was identified that following the move to MFSS all journals are now self-authorising and the hierarchy function to set limits for posting was not being used. As a result of this and the Internal Audit report the Finance team have agreed to undertake a quarterly review of journals and seek explanations on a sample basis to review the validity of such journal postings.
- **Data migration from e-fin to Oracle** – We reviewed the processes for information and balances being transferred to the new financial system, Oracle. This data migration was undertaken internally by the Finance team. A working paper was provided as evidence that balances transferred had been tested independently by another member of the Finance team. In view of the importance of these transitions we needed to review that all opening balances and month one balances had been appropriately transferred from e-fin to Oracle. This testing was completed satisfactorily but we took additional audit time to complete this process and test the results.

We have raised the points above with the Finance team and we will review developments during our final accounts visit. Where appropriate, we will raise recommendations within our ISA260 report in September 2016.

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Interim Work – Value for Money

We have carried out an initial risk assessment against the new criterion specified by the National Audit Office for 2015/16 onwards. The Government's Spending Review continues to provide a challenging financial future for the PCC and CC.

The 2015/16 budget of £191.2m was established on the basis that £11.14m of efficiency savings would be achieved during the year and that this would result in £1.6m use of reserves. However, during the year the anticipated savings have not been achieved and at the time of completing our interim visit the shortfall was estimated at approximately £3.5m. At the same point in time the anticipated outturn was estimated to be £198.9m which would result in a £7.7m overspend against the original budget. Initial discussion with the Chief Finance Officer indicate that the final outturn may be slightly better than the previously reported figures.

These results add to the budget pressures in future years and with on-going inflation, commitments and funding reductions results in budget deficit for 2016/17 of £23.7m and will continue to provide significant challenge over the life of the Medium Term Financial Plans unless recurrent savings are not only identified but achieved.

Our 2015/16 VFM work is ongoing and the focus of our work will be around your Medium Term Financial Planning arrangements and achievement of the anticipated outturn position. We will update our VFM assessment during the year and report our conclusions in the ISA260 report to the Joint Audit and Scrutiny Panel in September 2016.

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Audit fee update and other work

At this stage there are no changes planned to the 2015/16 scale audit fee of **£35,220 and £15,000** for the PCC and CC respectively in April 2015 and in our February 2016 Audit Plan. No other audit related or non-audit work is in progress or planned for 2015/16.

We have not undertaken any other work as part of our engagement.

Actions

We ask the Joint Audit and Scrutiny Panel to:

- **NOTE** this progress report and technical update.

Contacts

Andrew Cardoza, Director
andrew.cardoza@kpmg.co.uk

Simon Lacey, Manager
simon.lacey@kpmg.co.uk

Anita Pipes, Assistant Manager
anita.pipes@kpmg.co.uk

Local Government External Audit

2015/16 Technical update

Financial sustainability of police forces in England and Wales	
Level of impact ●	KPMG perspective
<p>Further to the NAO report on the Financial sustainability of police forces in England and Wales, published in June 2015, and the hearing of the Public Accounts Committee (PAC) in July 2015 on the same topic, the PAC has now published its report on the matter.</p> <p>The PAC report considers issues of devolution and accountability, and demand on police forces and the availability of information, and makes a number of recommendations. Forces may wish to be aware of the report in order to inform their planning considerations, particularly in relation to value for money arrangements.</p> <p>The PAC report can be found here: www.publications.parliament.uk/pa/cm201516/cmselect/cmpublic/288/288.pdf</p> <p>A copy of the original NAO report can be found here: www.nao.org.uk/report/financial-sustainability-of-police-forces-in-england-and-wales/</p>	<p><i>The Committee may wish to seek assurances how their Force is addressing the issues raised in the reports.</i></p>



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