

**REPORT TO THE POLICE AND CRIME PANEL**

**08 DECEMBER 2020**

**REPORT OF JOINT CHIEF FINANCE OFFICER**

**STATEMENTS OF ACCOUNTS 2019/20 AND THE EXTERNAL AUDITORS CONCLUSIONS**

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**1. PURPOSE**

1.1 The Statements of Account (SOA) are one of the key governance documents published each year. This report provides an update to the Panel on the preparation, audit, authorisation and publication of the Statements.

1.2 The Accounts and Audit Regulations 2015 combined with the Local Audit and Accountability Act 2014 set out detailed requirements in relation to the annual audit and accounting processes for the Police and Crime Commissioner (PCC) and Chief Constable:

- Draft SOA and Annual Governance Statement (AGS) to be signed and published by 31 May each year; and
- Final SOA, AGS and the audit opinion to be signed and published by 31 July each year.

1.3 However, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 confirmed changes to those processes for 2019/20 only:

- Draft SOA and Annual Governance Statement (AGS) to be signed and published by 31 August 2020; and
- Final SOA, AGS and the audit opinion to be signed and published by 30 November 2020.

1.4 The following report provides assurance to the Panel that robust governance arrangements were in place for the preparation, publication and audit of the Statements for 2019/20. The report sets out:

- The compilation and publication process for the SOA and AGS statements in-line with relevant regulations.
- The final audited outturn position for the Group revenue budget and the impact on reserves.

- Confirmation that the external auditor, Mazars, have issued an unqualified opinion on the SOA for both the PCC and CC for Northumbria. The unqualified Value for Money conclusion also confirms that both organisations have made proper arrangements to secure economy, efficiency and effectiveness in their use of resources

## 2. RECOMENDATION

2.1 The Police and Crime Panel are recommended to note:

- The preparation of the SOA and AGS for 2019/20;
- The Financial Outturn position for 2019/20;
- The arrangements for the scrutiny and certification, leading to the publication of the final Statements by 30 November 2020; and
- The issuing of an unqualified opinion, without modification, on the SOA and Value for Money assessment for both the PCC and CC for Northumbria.

## 3. PREPARATION, PUBLICATION, AUDIT AND AUTHORISATION OF THE STATEMENTS

3.1 The 2019/20 SOA have been prepared in-line with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code), issued by CIPFA, and are prepared in accordance with International Financial Reporting Standards (IFRS).

3.2 The statements also include the AGS for each organisation; an annual assessment of the governance arrangements and their effectiveness. Further details can be found at section 6 of this report.

3.3 The timetable followed for the publication of the 2019/20 draft accounts, the external audit and final approval are shown in the table below:

Date	Task
28 August 2020	Draft SOA signed off by Chief Financial Officer of the PCC and CC Director of Finance.  Draft AGS prepared, signed as appropriate for PCC/CC.  Statements published on PCC/CC websites.
01 September – 12 October 2020	Accounts open for public inspection in accordance with Accounts and Audit Regulations.  Notice published on both websites 28 August 2020.
01 September – 27 November 2020	External Audit of PCC and CC SOAs.
16 November 2020	Joint Independent Audit Committee: <ul style="list-style-type: none"> <li>• Draft Audit Completion Reports for the PCC and CC presented to JIAC.</li> <li>• Revised AGS recommended for signature by PCC/CC.</li> </ul>

25 November 2020	CC statements authorised and signed.
25 November 2020	PCC statements authorised and signed. Report the completion of the audit and intended publication of the statements to the Police and Crime Panel.
27 November 2020	Publication of PCC and CC SOA, AGS, Narrative Statement and External Auditor's Audit Completion Report and opinion on OPCC website. Publish notice that the audit has been concluded and the statements published. Publication on the Northumbria Police website took place on 30 November 2020

- 3.4 The final signed SOA's and AGS's are available on the PCC's website along with the External Auditors Audit Completion Report and opinion:

<http://www.northumbria-pcc.gov.uk/transparency/finance/accounts/>

#### 4. FINANCIAL PERFORMANCE 2019/20

- 4.1 The statements of account for the PCC, CC and Group each include a narrative statement that sets out the key financial and other performance for the 2019/20 financial year. A summary of the final Group outturn position and impact on reserves is provided in this section.
- 4.2 The Group Revenue budget for 2019/20 was £280.082 million. Net revenue expenditure of £277.379 million for the year reflects an underspend of £2.703 million as set out below:

<b>Group Revenue Outturn</b>	<b>Approved Budget 2019/20</b>	<b>Outturn 2019/20</b>	<b>Variance 2019/20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Group Position</b>			
Chief Constable	268.581	267.215	(1.366)
Police and Crime Commissioner	2.098	1.793	(0.305)
Capital Financing	9.403	8.371	(1.032)
<b>Net Expenditure</b>	<b>280.082</b>	<b>277.379</b>	<b>(2.703)</b>
Central Government Grant	(230.551)	(230.551)	-
Council Tax Precept	(53.531)	(53.531)	-
<b>Central Grant and Precept Total</b>	<b>(284.082)</b>	<b>(284.082)</b>	<b>-</b>
<b>Transfers (to) / from reserves</b>	<b>(4.000)</b>	<b>(6.703)</b>	<b>(2.703)</b>

- 4.3 The approved budget for 2019/20 included a planned transfer to earmarked reserves of £4.000m to manage specific risks identified for Northumbria over the medium term. Of this amount, £2.600m was required to meet the future shortfall identified for the implementation of the national Emergency Services Network (ESN) in Northumbria. The remaining £1.400m will provide the balance of £3.400m required to manage the

increased cost of police officer pensions for one year only if the full cost is not met by government on a permanent basis.

- 4.4 The outturn position has allowed the planned transfer to reserves of £4.000m to take place. In addition it includes a further transfer to reserves of £2.703m. £0.305m was transferred to the OPCC Innovation Reserve and used to fund Emergency Response Covid-19 grants in May 2020. £1.000m is held in the general reserve to meet the unfunded costs of Covid-19 for Northumbria in 2020/21. The balance was pre-planned to be held in the general reserve to support the 2020/21 budget by front-loading police officer recruitment above the target for police Uplift in Northumbria.
- 4.5 The final outturn position for 2020/21 is consistent with the plans set out in the PCC's Medium Term Financial Strategy (MTFS) 2020/21 to 2023/24.

## **5. ANNUAL GOVERNANCE STATEMENTS**

- 5.1 Regulations require public bodies to produce an Annual Governance Statement (AGS) that provides an assessment of the adequacy of the governance arrangements and their effectiveness. This separate statement accompanies the Statement of Account for each body.
- 5.2 The PCC and CC Joint Governance Monitoring Group have undertaken a review of the governance and internal control arrangements and have prepared an AGS for each body. These were reported to, and scrutinised by, the Joint Independent Audit Committee on 16 November 2020 and subsequently authorised by the PCC and CC.
- 5.3 The process did not identify any weaknesses in the governance arrangements.

## **6. EXTERNAL AUDITOR CONCLUSIONS**

- 6.1 The Audit of the SOA and AGS for both the PCC and CC is now complete. Only minor changes were made to the draft SOA, primarily disclosure and narrative in nature, with no numeric changes.
- 6.2 However, there was an 'Emphasis of Matter' item included in the audit opinion which resulted from the work undertaken by the external auditor to gain assurance in respect of the Local Government Pension Scheme (LGPS). This item relates to a material valuation uncertainty clause included by the Pension Fund's Property Investment Manager in some of their March 2020 property valuation reports, due to the possible impact of Covid-19. The outbreak of Covid-19 has had a significant impact on global financial markets. The valuation uncertainty clause means that a higher degree of caution should be attached to valuations of unquoted property assets than would normally be the case. Approximately 9% of LGPS pension fund assets are held in property. Further explanation is disclosed in Note 11(a) to the Group accounts. The audit opinion is not modified in respect of this matter.
- 6.3 The external auditor (Mazars) has issued an unqualified opinion, without modification, on the SOA for both the PCC and CC for Northumbria. The unqualified Value for Money conclusion also confirms that both organisations have made proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

6.4 The Audit Completion Reports (ACR) were presented at the meetings with the PCC and CC as part of the final sign off of the SOA and AGS. They were published on the Police and Crime Commissioner's website on 27 November 2020 and on the Northumbria Police website on 30 November 2020, along with the SOA and Notice of Conclusion of the Audit.