

Annual Audit Letter

Humberstone Police Authority

Audit 2007/08

January 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Summary

Key messages

- 1 The Police Authority has improved its overall Use of Resources score from a 2 in 2006/07 to a 3 in 2007/08. In achieving this higher overall score, you have made significant and sustained improvements in your arrangements to secure value for money.
- 2 The Use of Resources assessment framework is changing from 2008/09 and will place greater emphasis on strategic level achievements. The assessment will focus on value for money, outcomes and outputs rather than detailed processes you will need to ensure you have appropriate arrangements for identifying and collating supporting evidence in a timely manner.
- 3 An unqualified opinion on your accounts was issued on 30 September 2008.
- 4 An unqualified value for money conclusion was issued on 30 September 2008.

Recommendations

- 5 Recommendations are agreed with your officers as part of our detailed reporting arrangements. The Authority should strive to achieve continuous improvement in all areas of activity by ensuring that recommendations within individual reports are actioned appropriately.

Recommendation

- | |
|--|
| R1 The Authority should ensure that recommendations within individual reports are actioned appropriately. |
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Purpose, responsibilities and scope

- 6 This Annual Audit Letter (letter) provides an overall summary of the Audit Commission's assessment of the Authority, based on audit work performed in relation to the accounting period ending 31 March 2008. Where relevant this work has included assessment of the arrangements in place in the Police Force, as well as the Authority.
- 7 I have addressed this letter to members as it is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. I have made recommendations to assist the Authority in meeting its responsibilities.

This letter also communicates the significant issues to key external stakeholders, including members of the public. I will publish this letter on the Audit Commission website at www.audit-commission.gov.uk (In addition the Authority is planning to publish it on its website).

I have prepared this letter as required by the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

- 8 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I am required to review and report on:
 - your accounts;
 - whether you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources (value for money conclusion); and
 - how well you managed your resources (the Police Use of Resources scores).
- 9 I have listed the reports issued relating to the 2007/08 audit at the end of this letter.

Audit of the accounts

- 10** I issued an unqualified opinion on your accounts on 30 September 2008.
- 11** Before giving my opinion I reported to the Finance Committee on the issues arising from the 2007/08 audit. The key issues to note were:
- the accounts presented for audit did not contain any material errors;
 - we did not identify any weaknesses in the design or operation of internal controls that might result in a material error in your financial statements of which you are not aware; and
 - the arrangements in place to prepare the financial statements and supporting working papers were satisfactory.

Whole of Government accounts

- 12** The Government is implementing a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. Relevant authorities are required to submit a 'consolidation pack' to Communities and Local Government and I am required, as your auditor, to undertake a range of procedures and report on the pack.
- 13** We carried out these procedures and submitted the audited consolidation pack to Communities and Local Government on 30 September 2008 with an unqualified opinion.

Use of resources

14 I am required to:

- conclude whether you have put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources. This is known as the value for money conclusion; and
- assess how well the Authority and Force manage and use financial resources by providing scored judgements on the arrangements on five specific themes. This is known as the Police Use of Resources Evaluation (PURE).

Value for Money conclusion

15 I have concluded that the Authority did have proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

16 I issued an unqualified value for money conclusion on 30 September 2008.

Police Use of Resources (PURE) scores

17 I assessed your arrangements in five themes and scored each theme from 1 to 4 (1 = inadequate performance, 2 = adequate performance, 3 = performing well and 4 = performing strongly). A detailed report supporting the assessment and highlighting areas for improvement was issued on 20 October 2008.

Table 1 Police Use of Resources (PURE) scores

Theme	Assessment
Financial reporting	3 out of 4
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

Use of resources

18 The key issues arising from the audit, as reflected in the above judgments where appropriate, are as follows.

- The overall assessment score of 3 is an improvement on the score of 2 reported in 2006/07.
- You have made significant and sustained improvements within its arrangements to secure value for money, achieving demonstrable outcomes. These improvements are reflected in an improved score of 3 against the value for money criteria compared to 2 in 2006/07.
- Whilst you continue to perform strongly against the financial standing theme, there are challenges in the medium term as reserves are applied to key priorities and 'spend to save' activities need to be managed effectively. At the time of writing, the Authority has investments of £5.57m held across three Icelandic banks that have gone into administration, the loss of which could affect the levels of reserves available.
- There remains a need to further develop the medium term financial strategy and improve in-year budget monitoring, control and reporting to members.
- The 2008/09 Use of Resources assessment will be more challenging in that it will focus more on value for money, outcomes and outputs rather than processes, and will adopt a more strategic, less detailed approach. In order for the scores to accurately reflect the true position and level of progress being made, the Authority needs to put in place arrangements for identifying and collating supporting evidence in a timely manner.

National Fraud Initiative

19 The National Fraud Initiative is a data matching exercise that compares sets of data to identify inconsistencies or other circumstances that might indicate fraud or error. It also helps auditors to assess the arrangements that audited bodies have put in place to deal with fraud.

20 The referrals from the current exercise were released to participating bodies in January 2007 and officers undertook steps during 2006/07 to investigate data matches, as reported in the 2006/07 Annual Audit Letter.

Specific risk-based work

21 I also carried out a specific piece of risk-based work on workforce modernisation. My work has concluded that the Authority and Force now have arrangements in place to modernise the workforce. The modernisation has already led to performance improvements and substantial non-cashable efficiency gains. Recurrent savings of around £2m per annum are expected to be realised. I have issued a report and the Authority and Force have agreed an action plan.

Closing remarks

- 22** We have discussed and agreed this letter with the Chief Executive, Director of Performance and Resources and the Chief Constable. We will present the letter at the Finance Committee on 27 January 2008 and we will provide copies to all members.
- 23** Further detailed findings, conclusions and recommendations on the areas covered by audit work are included in the reports issued to the Authority during the year.

Table 2 Reports issued

Report	Date of issue
Audit plan	March 2007
Report to those charged with governance	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Use of resources	October 2008
Annual audit letter	December 2008
Workforce modernisation	December 2008

- 24** The Authority and Force have taken a positive and constructive approach to our audit work. I wish to thank officers for their support and cooperation during the audit.

Mark Kirkham
District Auditor

December 2008

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

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