

Annual Audit Letter

Cheshire Police Authority

Audit 2008/09

November 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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Key messages

This letter summarises the findings from my 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial Statements

- 1 My audit is complete and I issued an unqualified opinion on the financial statements on 24 September 2009. The financial statements submitted for audit contained no significant errors. The quality of working papers supporting the statements was good and officers worked effectively with the audit team.

Use of resources

- 2 The use of resources assessment for 2009 is complete. The overall score for the Authority is 2 - performing adequately.
- 3 Based on the outcome from my use of resources assessment, I issued an unqualified conclusion stating that the Authority has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Audit fees

- 4 The audit has been completed within the fee of £84,916 that was agreed at the Audit Committee in June 2008.

Independence

- 5 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.

Financial statement issues

- 6 During the audit I identified some adjustments which needed to be made to the financial statements. None of these was significant. The overall quality of the financial statements and supporting working papers were good. The issues raised at the previous year's audit were largely addressed. More detail in relation to the issues raised at the audit are provided in my Annual Governance Report which can be found by following this link www.cheshirepolice.uk/public-access-authority-meetings.
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Internal control

- 7 I have reviewed the Authority's system of internal control and found no significant weaknesses. I reviewed the internal audit provision against the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (the Code). I concluded that the Authority's internal audit provision is compliant with the standards set out in the Code.
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Accounting Practice and financial reporting

- 8 I considered the qualitative aspects of your financial reporting. There are no significant matters to report.
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Use of resources

I considered how well the Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Introduction

- 9 The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. This raises the importance of having effective arrangements in place for the management of scarce financial and other resources.
 - 10 The increasingly difficult economic position will affect the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams. There will be further challenges as demand for services change and uncertainties about funding continue. I have taken the risks relating to the difficult economic position into account in forming judgements in relation to the Authority's arrangements for securing value for money from its use of resources.
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Use of resources judgements

- 11 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 12 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 13 The Authority's overall score is 2. The Authority requested a review of this score by the Audit Commission and this was undertaken in October 2009. The Audit Commission's review officer has concluded that the overall score should remain at level 2 but that the score for the judgement in relation to the key line of enquiry for commissioning and procurement within the Governing the Business theme should increase from 2 to 3.

- 14 The individual theme scores are shown in Table 1 below and the scores making up these theme scores are shown at Appendix 1.

Table 1 Use of resources theme scores

| Use of resources theme | Scored judgement |
|------------------------|------------------|
| Managing finances | 2 |
| Governing the business | 2 |
| Managing resources | 2 |

- 15 The main findings and conclusions for each of the themes are provided below. More detail in relation to the findings was provided in my Annual Governance report which was presented to the Audit Committee on 22 September 2009.

Managing finances

- 16 The Authority continues to improve its arrangements for managing its finances. Budget setting processes are robust. More work is required to develop medium term financial planning processes. The Authority and force engage effectively with individuals and various groups to help determine priorities. The use of costing techniques and benchmarking in enabling the Authority to better manage its finances needs development. Financial reporting is good. Work is in progress to strengthen budget monitoring arrangements.

Governing the business

- 17 The Authority and Force have been proactive over the last year in reviewing and setting their vision and priorities. Additional funding was made available in some priority areas in 2008/09 which resulted in improved performance. Partnership governance arrangements are in need of development and progress is being made in this area. The Force has taken a prominent role in developing national procurement strategies and overall procurement performance is good. The overall quality of data is adequate and improving. The arrangements for ensuring that data is "right first time" and in relation to aspects of data monitoring could be more effective. Arrangements for promoting good governance are adequate overall. Systems of internal control are generally good but in some areas, for example, risk management action is required to ensure the arrangements are more effective.

Use of resources

Managing resources

- 18** The Authority and Force have a wide range of processes in place to manage their workforce. The Force is on track to meet its diversity targets. The Authority and force will need a very clear workforce strategy against a background of significant financial constraint. Action is in hand to improve the links between workforce and medium term financial plans. The Force has improved training and development courses and their evaluation. There is limited evaluation of relative staff productivity using, for example, benchmarking data.

VFM Conclusion

- 19** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources key lines of enquiry are the relevant criteria for the VFM conclusion. I have concluded that the Authority met the eight criteria specified by the Audit Commission for 2008/09 and I have issued an unqualified conclusion. A summary of my assessment is provided at Appendix 1.

Treasury management

- 20** Following the collapse of the Icelandic banks in 2008, the Audit Commission highlighted that treasury management arrangements in local authorities were of variable quality. As a result, the Audit Commission requested auditors to complete a work programme on treasury management. My review of the authority's arrangements did not identify any major concerns. However, members should ensure that their understanding and challenge of the arrangements is effective

Audit fees

- 21** The proposed audit fee was included in my audit plan which was presented to the Audit Committee in June 2008. The audit has been completed within the proposed fee as shown in Table 2 overleaf.

Table 2

| | Actual | Proposed | Variance |
|--|---------------|---------------|------------|
| Financial statements and annual governance statement | 46,000 | 46,000 | Nil |
| Use of resources | 32,693 | 32,693 | Nil |
| Total audit fees | 78,693 | 78,693 | Nil |
| Additional fee in relation to the Custody Suite PFI contract | 6,223 | 6,223 | Nil |
| Total | 84,916 | 84,916 | Nil |

Closing remarks

- 22** I have discussed and agreed this letter with the Chief Executive and the Treasurer. I will present this letter at the Audit Committee on 1 December 2009.
- 23** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Authority during the year (Table 3).

Table 3

| Report | Date issued |
|----------------------------------|----------------|
| Audit Plan | June 2008 |
| Supplementary Opinion Audit Plan | March 2009 |
| Review of Internal Audit | September 2009 |
| Annual Governance Report | September 2009 |

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- 24** The Authority has taken a positive and constructive approach to our audit. I wish to thank the Authority's staff for their support and co-operation during the audit.

Judith Tench
District Auditor
November 2009

Appendix 1 – Use of resources summary of assessments

The following table provides assessment detail for each of the three use of resources themes.

Managing finances

| | |
|--|------------------------|
| Theme score 2 | |
| KLOE 1.1 (financial planning) Score VFM criterion met | 2 Yes |
| KLOE 1.2 (understanding costs and achieving efficiencies) Score VFM criterion met | 2 Yes |
| KLOE 1.3 (financial reporting) Score VFM criterion met | 2 Yes |

Appendix 1 – Use of resources summary of assessments

Governing the business

| | |
|--|------------------------|
| Theme score 2 | |
| KLOE 2.1 (commissioning and procurement) Score VFM criterion met | 3 Yes |
| KLOE 2.2 (data quality and use of information) Score VFM criterion met | 2 Yes |
| KLOE 2.3 (good governance) Score VFM criterion met | 2 Yes |
| KLOE 2.4 (risk management and internal control) Score VFM criterion met | 2 Yes |

Managing resources

| | |
|--|------------------------|
| Theme score 2 | |
| KLOE 3.1 (use of natural resources) Score VFM criterion met | Not assessed |
| KLOE 3.2 (strategic asset management) Score VFM criterion met | Not assessed |
| KLOE 3.3 (workforce planning) Score VFM criterion met | 2 Yes |

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.

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