

# Annual Audit Letter

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Cheshire Police Authority

Audit 2007/08

November 2008



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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

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## Key messages

- 1 I have completed the audit for 2007/08 and I have issued an unqualified opinion on your financial statements. Adjustments were made to the accounts during the audit but there are no significant matters which need to be highlighted in this summary. The detailed findings from the audit were included in my Annual Governance Report which was presented to the Audit Committee on 18 September 2008. I have also issued an unqualified conclusion on your arrangements to achieve value for money. This confirms that the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources.
- 2 Through my broader assessment of how the Authority uses its resources (the police use of resources assessment), I have concluded that the Authority is performing well. This is the same as my assessment last year. The arrangements for the closure and production of the accounts are good. Some progress has been made in strengthening the financial management arrangements. The Authority and Force are jointly developing a three-year policing plan which will facilitate improved integration of financial planning with other operational planning processes. The financial management arrangements review is nearing completion and the asset management strategy has recently been published. Internal control processes are satisfactory and work is ongoing to improve key aspects of the arrangements, for example risk management and raising the profile of ethical conduct standards. Priority needs to be given to implementing an overarching business continuity plan. The value for money provided by the Authority is improving and good overall. Recorded crime in Cheshire reduced by 11 per cent during 2007/08 and this represents one of the best performances nationally. However, performance in relation to detections was not as strong and Cheshire has the lowest number of detections per officer within its most similar force group (MSF). User satisfaction and confidence in the police is improving.

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## Recommendations

- 3 The main priorities for members in relation to facilitating the improved use of resources are as follows.

Recommendations	
<b>R1</b>	Monitor the completion and implementation of the financial management arrangements review.
<b>R2</b>	Ensure that the asset management strategy is implemented effectively.
<b>R3</b>	Monitor progress in effectively integrating financial planning with other business planning processes.
<b>R4</b>	Monitor the arrangements for implementing the business continuity plans.

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# Purpose, responsibilities and scope

- 4 This 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.
- 5 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.
- 6 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](http://www.audit-commission.gov.uk). In accordance with normal practice the Authority is planning to publish it on its website.
- 7 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](http://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:
  - the Authority's accounts;
  - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - how well the Authority has managed its resources (the Police Use of Resources assessment).
- 9 I have listed the reports issued to the Authority relating to the 2007/08 audit at the end of this letter.

# Audit of the accounts

- 10 I issued an unqualified opinion on the Authority's accounts on 18 September 2008.
- 11 Before giving my opinion I reported to the Audit Committee acting as Those Charged with Governance on the issues arising from the 2007/08 audit. The key messages in the report to the Committee were as follows.
- The processes for preparing the financial statements and supporting working papers were good.
  - The financial statements were adjusted to correct one large mis statement relating to the backdating of police officer pension payments. The direction by the Government requiring the adjustment was not made until 21 May 2008.
  - The Treasurer has agreed to review the accounting treatment of expenditure on police uniforms and the lease on Charles Stewart House. There was no impact on my opinion on the accounts, as the amounts involved were below the level at which I am required to consider qualification.
  - The Treasurer adjusted the financial statements to correct all other minor errors and omissions identified during the audit.

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## Whole of Government accounts

- 12 Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. The Authority is required to submit a 'consolidation pack' to the Department for Communities and Local Government (CLG) and I am required, as your auditor, to undertake a range of procedures and report on the pack. There were no issues arising from our audit of the pack and the audit report was submitted by the date specified by CLG.

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# Use of resources

13 I am required to:

- conclude whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its 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).

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## Value for money conclusion

- 14 We assess performance against 12 criteria determined by the Audit commission. These criteria are set out in our audit plan and are available on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).
- 15 I have concluded that proper arrangements are in place in relation to all 12 criteria and I was thus able to give an unqualified VfM conclusion on 18 September 2008.

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## Police Use of Resources (PURE)

- 16 I assessed the Authority's arrangements on five themes and scored each theme from 1 to 4 (1 = inadequate performance, 2 = adequate performance, 3 = performing well and 4 = performing strongly). The Authority has maintained the overall score of 3 achieved in 2006/07. The theme scores have also remained the same. Improvements have been made in some areas but it is too early to assess whether these are effectively embedded and leading to improved outcomes.
- 17 A detailed report supporting the assessment and highlighting areas for improvement was issued to the Authority in September 2008 and was considered by the Audit Committee at its meeting on 18 September 2008. A summary showing the scores for each theme and the overall score is provided in Table 1.

**Table 1 Police Use of Resources 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
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

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

- The Authority and Force are continuing to give priority to improving its use of resources and progress is being made towards strengthening processes and achieving improved outcomes. Officers are giving more priority to delivering PURE action plans and the Audit Committee is effective in its monitoring of progress.
- The arrangements for the closure and production of the accounts are good. The financial statements were submitted to a workshop of the Audit Committee in June 2008 to facilitate better understanding and challenge and this was effective. A consultation process was undertaken with a range of stakeholders to assess their financial information needs in 2006/07 but this information has not been used to determine the format of the summary financial information to be published. It is unclear what arrangements are in place to ensure that key policing reports meet the needs of stakeholders and equalities legislation.
- Some progress has been made in strengthening the financial management arrangements, particularly in relation to establishing broad medium term spending plans via the 'Ambition' document and in monitoring of the capital programme. The appointment of the Treasurer in a full time capacity is helping to provide clearer focus on what is required to improve the arrangements. The Authority and Force are aware that work is still required to better integrate financial planning with the operational planning processes, more effectively monitoring the budget, completing the review of financial management arrangements and strengthening asset management arrangements. There is a clear commitment to implement improvement actions within a reasonable timeframe.
- Effective financial standing arrangements have been maintained since the last assessment and enhanced in some areas, for example, the risk assessment to determine the level of reserves and the development of financial health targets.

- The Authority and Force arrangements for internal control remain adequate. Increased priority has been given to raising awareness and standards but it is too early to identify benefits in relation to this. Risk management arrangements are still being developed and implemented, particularly in relation to the Authority. Business continuity plans are in place for most business and operational areas but there is now an urgent need to produce and implement an overarching plan for the Authority and Force. The review of Financial Regulations, policies and schemes of delegation has been protracted and this review needs to be completed as a matter of priority. The Authority and Force have plans in place to raise awareness and standards in relation to ethical conduct.
  - The value for money provided by the Authority is improving and good overall. Recorded crime in Cheshire reduced by 11 per cent during 2007/08 and this represents one of the best performances nationally. However, performance in relation to detections was not as strong and Cheshire has the lowest number of detections per officer within its most similar force group (MSF). User satisfaction and confidence in the police is improving, and the Force has made significant progress in reducing sickness absence for police officers. Processes for reviewing and improving value for money are in place, with evidence of successful outcomes. The Force has effective procurement practices but its commitment to the 'green' agenda needs to be strengthened.
- 19 The Authority has been proactive over the last year in reviewing the way it conducts its business. Two key events have been the appointment of a full time Treasurer and completion of a detailed self assessment of governance arrangements. Both of these have been significant in terms of clarifying and promoting the Authority's role and determining key actions which need to be implemented to enable the Authority to perform more effectively. Some of the key priorities for action include:
- implementation of the Authority's new business plan;
  - strengthening partnership working and related governance arrangements; and
  - implementing the Authority's risk management strategy.
- 20 Comprehensive area assessment (CAA) comes into effect from 1 April 2009, with the first assessments due to be published in November 2009. CAA represents a fundamental change of approach to the assessment of local services. The assessment will focus on the outcomes being achieved in local areas and the prospects for improvement and will necessarily look across sector and organisational boundaries.
- 21 A new police use of resources assessment will be introduced in 2008/09 which will form part of the CAA framework. The new approach will focus on three themes of managing finance, governing the business and managing resources. The framework is more demanding than previous assessments. It is broader in scope and embraces wider resource issues such as people and workforce planning, and the use of natural resources. It places more emphasis on considering outcomes for local people and there is more focus than previously on value for money achievements rather than on processes.
- 22 We presented an outline of the new arrangements to the Audit Committee in September 2008. A plan has been agreed with officers to ensure that the use of resources assessment is delivered as efficiently as possible in 2009.

### National Fraud Initiative

- 23 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.
- 24 The Authority did not submit all the data required for the last data match in 2007 but appropriate priority is being given to participation in the current exercise. The results from this will be released in January 2009. We will monitor the activity of the Authority and Force in following up the potential fraud matches during 2009.

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# Closing remarks

- 25** We have agreed this letter with the Chief Executive, Treasurer and the Force's Assistant Officer. The letter will be presented to the Audit Committee on 9 December 2008. A copy needs to be made available to all Authority members.
- 26** 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.

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**Table 2      Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit plan	March 2007
Report to those charged with governance	September 2008
Opinion on financial statements	18 September 2008
Value for money conclusion	18 September 2008
Final accounts memorandum	December 2008
Use of resources - interim report	September 2008
Use of Resources - final report	November 2008
Annual audit letter	November 2008

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

**Judith Tench**  
**District Auditor**

November 2008

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# 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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