

Annual Governance Report

Cheshire Police Authority

Audit 2009/10

September 2010

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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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Ladies and Gentlemen

2009/10 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Chief Executive and Treasurer on 9 September 2010 and updated it as issues have been resolved.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 5 to 7);
- take note of the adjustments to the financial statements set out in this report (Appendix 2); and
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 3).

Yours faithfully

Julian Farmer

September 2010

Key messages

This report summarises the findings from the 2009/10 audit which is substantially complete. It includes the messages arising from my 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.

- 1 This report identifies the key matters that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

Financial statements

- 2 My audit is substantially complete. I have some outstanding matters to clear but expect to issue an unqualified opinion on the financial statements by 21 September. The financial statements submitted for audit contained no material errors. Some amendments have been made to the statements as a result of my audit, but none of these are large.

Value for money

- 3 I intend to issue an unqualified value for money conclusion. This confirms that the Authority has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Independence

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

Next steps

- 5 I now ask the Audit Committee to:
 - consider the matters raised in the report before approving the financial statements (pages 5 to 7);
 - take note of the adjustments to the financial statements which are set out in this report (Appendix 2); and
 - approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 3).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As Authority members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 6 My audit work is substantially complete. I expect to issue an unqualified opinion on the financial statements by 21 September. The main issues outstanding are the completion of detailed testing of police officer pension fund transactions and final management review of the audit file. My proposed opinion on the accounts is included in the report at Appendix 1.
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Errors in the financial statements

- 7 I have not identified any material errors in the accounts. For the purposes of my audit a material error is one which is more than £4.1 million I have identified a small number of minor errors in the accounts and some errors and omissions in the notes to the accounts. I have listed these at Appendix 2.
- 8 The Authority has amended its accruals policy so that the cost of overtime worked in March but paid in April is treated as expenditure in the year that the overtime is worked. This means that additional expenditure of £0.6 million is included in the 2009/10 income and expenditure account. My testing found that the full costs of overtime worked in March 2010 have not been brought into account. I estimate that costs of £0.28 million for overtime worked in March 2010 have not been accounted for. Officers did inform the Finance Panel in January 2010 that only some of the March costs would be accrued. I have brought this matter to the attention of the Treasurer but as the amount involved is not significant I am not asking members to consider amending the accounts.
-

Internal control

- 9 My audit work included the testing of financial controls in the main financial systems. I place reliance on these controls when possible to reduce the amount of detailed audit testing required during the final audit visit. I have concluded that the controls for all the main systems are adequate, except those for the police officer pension fund.
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- 10 Police officer pensions are administered by Mouchel under the terms of a contract dated September 2007. Mouchel has a key role in ensuring that pension fund payments and receipts are accurately calculated and in liaising with the Authority's payroll provider, Logica. The Authority is responsible for ensuring that Mouchel deliver a service in accordance with the contract and for internal control and accounting records. I have concluded that the Authority does not have adequate controls to ensure that pension fund receipts and payments are accurate and complete. I carried out detailed testing of pension fund transactions to satisfy myself that the amounts shown in the accounts are not materially misstated. The Treasurer should introduce controls to provide internal assurance about the accuracy of the amounts included in the pension fund accounts.
- 11 My review and testing of the arrangements for the back up of financial systems concluded that that the back up process was satisfactory but the recovery process has not been tested. Tests should be performed periodically to confirm that main systems can be recovered effectively.

Recommendations

- R1** Introduce controls to provide assurance on the accuracy of police officer pension fund transactions.
- R2** Introduce tests to confirm that main systems can be recovered effectively.

Letter of representation

- 12 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. I have attached a draft letter of representation at Appendix 3.

Key areas of judgement and audit risk

- 13 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. I have listed these at Table 1 with commentary explaining how I have responded to the risks.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Incorrect accounting treatment and disclosure of HQ Private Finance Initiative (PFI) and any similar schemes	I have reviewed and tested the detailed working papers supporting the PFI entries in the accounts and concluded that the accounting treatment and the restatement of 2008/09 values is correct.

Financial statements

Issue or risk	Finding
Financial misreporting resulting in the significant under spend at 31 March 2010.	My testing of the income and expenditure account has confirmed that income and expenditure has been charged to the correct year. There is no evidence to indicate that the reported under spend is due to misreporting.
Incorrect capitalisation of staff costs.	I have reviewed the Authority's justification for the capitalisation of staff costs and am satisfied that it meets the requirements of Financial Reporting Standard 10.
Revenue expenditure not analysed in accordance with the new reporting requirements in 2009/10.	The expenditure has been analysed in accordance with CIPFA requirements at Note 1 to the accounts.
Changes introduced by the CIPFA statement of recommended practice 2009.	The main change other than the change to accounting for private finance initiatives is the treatment of council tax income. I am satisfied that the Authority has accrued the correct level of income in its 2009/10 accounts.
The collaborative arrangements with other forces, for example, the underwater search unit are not adequately disclosed in the financial statements.	An additional note (note 33) has been included in the amended accounts to provide the required accounting information about the Underwater search Unit.
Incorrect accrual of overtime costs in the accounts.	The Authority has, for the first time, accrued for the cost of overtime worked in the final month of the year. However, costs of £.276m relating to overtime worked in the last two weeks of March were not accrued.
Incorrect disclosure of senior officer remuneration information in the financial statements.	My audit work confirms that the information provided at note 9 to the accounts is complete and accurate.
Incorrect disclosure of specific contractual claims.	I have reviewed the Authority's arrangements for identifying significant and outstanding contractual claims that should be recognised in the accounts. The contingent asset and liability note 31 adequately discloses the status of potential significant claims against the Authority.

Value for money

I am required to decide whether the Authority put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Value for money conclusion

- 14 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission which are shown in Appendix 4.
- 15 I intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. My proposed value for money conclusion is included in the report attached at Appendix 1. The following paragraphs highlight the main findings from my work, which are positive.

Financial planning

- 16 The Authority has improved its approach to planning the medium term financial strategy. A clear mission and vision has been agreed by the Authority, supported by five strategic aims. These are clearly publicised and consistent with Force priorities. Treasury management and reserves strategies are in place and monitored. The Authority has improved how it monitors the capital programme. The Authority has received acclaim by the Ministry of Justice for improving public confidence and satisfaction through innovative public consultation methods that feed financial planning and help to identify priority spend areas.
- 17 A challenging efficiency and productivity strategy is delivering results, including budget savings. This was helped by a detailed budget realignment exercise in 2009/10 supplemented by a rolling base budget review by members. Good work is in progress to consider changes to the money available for the Authority in future years. This is influencing the priorities in the policing plan. Training on financial regulations has taken place. Wider financial training plans are being developed. All budget managers should receive effective training.
- 18 The Authority has a programme to transform its business services. It is important that this programme delivers the changes it seeks to achieve to produce the savings identified. Asset management arrangements are more robust than in 2008/09. Asset registers have been prepared. However, the Authority needs to have more detailed information on the assets it owns and develop key measures to monitor performance.

Value for money

Understanding costs and achieving efficiencies

- 19 The Authority has a better understanding of the costs it incurs. A Cost Benchmarking Group has recently been established to compare the income and spending among departments and services. Scorecards have been introduced to help promote a fuller understanding of performance but need to better explain value for money (VfM). Reviews have been successful in delivering both service improvements and savings, for example transferring people held in custody.
- 20 A new vfm strategy for 2010-2013 looks to increase productivity and performance and reduce costs. VfM is improving in several areas including, for example, custody transport. The Authority has a clear understanding on what it spends with partners but needs to better show the VfM achieved by these arrangements.
- 21 The Authority has a well-established record of achieving efficiencies over several years. It compares well to other similar areas on the level of efficiency savings made. A clear understanding exists where progress on efficiencies are delivered as expected and where variances have occurred.

Financial reporting

- 22 Financial reporting tools enable budget holders to oversee budgets actively. Financial reporting to the Authority is timely and in a format that members can easily understand, including locally agreed financial health targets. We reported that the 2008/09 accounts contained no significant or material errors and that working papers were good. The reporting timetable was met. The audit of the 2009/10 accounts is not yet complete but my conclusion at this stage is that financial reporting remains good. The Authority ensures that all necessary documents such as the accounts, annual audit letter, and summary financial statements are available on its website. The Authority has also consulted its community on how and what financial information is reported.

Commissioning and procurement

- 23 A procurement strategy has been in place for three years and is published on the Police Authority website. There is a well-established track record of savings achieved through effective procurement. Regular reporting of procurement and commissioning takes place at the Police Authority Finance Panel. Arrangements for consulting with internal users of commissioning and procurement services are good. Satisfaction levels of internal service users are improving. A review of the central supplier base has been completed for current contracts. This has resulted in savings, for example, in fleet management costs. The Force effectively uses electronic buying processes.
- 24 The Force collaborates with other forces and is looking to increase spending using local, regional and national contracts. Software developed in the region is being used help with this.

Use of information

- 25 The Authority is good at ensuring that data produced is reliable. Regular work takes place to ensure compliance with data legislation. Action taken by services has led to improvements in the accuracy of data, for example, a significant decrease in duplicate records. Service reviews, for example custody arrangements, have resulted in more consistent compliance with procedures.
- 26 Improvements to data sharing arrangements have enabled staff to share information with partners in a more consistent manner. Information security is reviewed. All new front-line staff receive training and this is being introduced across the Force. Cheshire promotes and ensures individual employees are aware of their information responsibilities.

Good governance

- 27 The Annual Governance Statement (AGS) sets out key risks with action plans to address them. The AGS is a living document. The Standards Committee role has been strengthened by the Authority. Arrangements for dealing with Freedom of Information Act requests are publicised with previous requests. A publication scheme on the Authority website addresses most relevant matters in relation to freedom of information. The Professional Standards Department has improved how it deals with complaints about officers, for example, reducing incivility. Complaints have fallen against a nationally rising trend.
- 28 The Authority has completed scrutiny reviews of partnership effectiveness, communication and consultation. Most of the recommended actions have been implemented. The Authority's Partnership Strategy was approved in November 2009 with an action plan to improve arrangements. Good progress has been made in this area.

Risk management and internal control

- 29 Internal Audit (IA) produces a good audit plan with regular updates. Audits of key systems report significant assurance and any recommendations made are monitored to ensure they are implemented. IA has reviewed counter fraud arrangements and reported that they are supported by policies and plans and that an antifraud and corruption culture exists. National fraud initiative matches result in positive outcomes.
- 30 The risk register is embedded and reviewed. It informs the business plan and includes partnership risk. A Business Risk Adviser was appointed in 2009 to integrate risk and insurance arrangements and reduce insurance fees. The arrangements have improved. A tactical risk group considers cross-cutting risks and coordinates responses.

Natural resources

- 31 The Authority has recently agreed a good carbon management plan supported by the Carbon Trust. This has clear information on current and future carbon use and the potential CO2 reductions and financial savings to be made by 2013. Links to other key plans are developing well.

Value for money

- 32 There has been good progress on the environmental strategy. Employees have attended awareness raising events and a green travel plan is being developed. Green procurement will help reduce carbon emissions by vehicles. Work is also underway to improve the overall approach to environmental issues with partners in Cheshire and Warrington.

Glossary

Annual governance statement

33 A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

34 A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

Audit opinion

35 On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

Qualified

36 The auditor has some reservations or concerns.

Unqualified

37 The auditor does not have any reservations.

Value for money conclusion

38 The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix 1 – Independent auditor’s report to Members of Cheshire Police Authority

Opinion on the accounting statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Cheshire Police Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related note. The accounting statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Cheshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Treasurer and auditor

The Treasurer’s responsibilities for preparing the accounting statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its police pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Appendix 1 – Independent auditor’s report to Members of Cheshire Police Authority

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the police pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the police pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the police pension fund accounting statements and related notes.

Opinion

In my opinion:

- the accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- the police pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the police pension fund during the year ended 31 March 2010 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Cheshire Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Julian Farmer
District Auditor

September 2010

Audit Commission, 1st Floor, Block 4, The Heath Business and Technical Park, The Heath, Runcorn, Cheshire, WA7 4QF

Appendix 2 – Amendments to the draft accounts

I identified the following misstatements (table 2) and incorrect accounting disclosures (table 3) during my audit. Managers have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

Table 2 Amendments to the accounts

		Income and Expenditure Account		Balance sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Incorrect treatment of LPSA2 performance reward grant	Unapplied capital grants Government grants deferred			413	413
Interest payable reclassified from creditors to borrowing	Creditors Borrowing repayable within 12 months			101	101
Overcharging of depreciation on the finance lease in previous years	Long term creditors Capital adjustment account			191	191

Table 3 Amendments to disclosure notes

Note	Description	Nature of amendment
	Explanatory foreword	Make some changes to improve clarity but particularly include more analysis and explanation to support the under spend of £1.3 million compared with the budget.
	Accounting policies	Include accounting policies for the treatment of debtors and creditors, provision for bad debts, operating leases, contingent assets and liabilities.
	Accounting policies	Delete references to changes to accounting policies in cases where there has been no change to policy.
	Accounting policies	Delete accounting policy 15 and include a new policy on accounting for council tax income.
	Accounting policies	Include policy for operational leases in policy 13 - leases.
	Accounting Policies	Include statement on the estimation techniques for debtors and creditors.
6	PFI depreciation	Amend the disclosed depreciation as at 1 April 2009 to read £6.64 million.
12	Finance leases	Amend the note to make compliant with the Statement of recommended practice. Disclosure should show: <ul style="list-style-type: none"> • gross amount of assets with accumulated depreciation; • amounts of obligations net of finance charges allocated to future years; and • aggregate finance charges allocated for the period.
17	Fixed assets	Amend the transposition of the net book value at 31 March 2010 of vehicles and equipment.
17	Fixed assets	Amend the information on asset lives in note 17 and accounting policies note 10 to ensure that they are complete and consistent.
21	Financial instruments	<ul style="list-style-type: none"> • Include the fair value of debtors (£5.1 million) creditors (£11.1 million) and bank overdraft (£1.7 million) • Include other disclosures required by the statement of recommended practice, for example, credit risk for debtors.
25	Defined benefit schemes	Remove the paragraph titled 'change in accounting policy' as there has been no change in the year.

Appendix 2 – Amendments to the draft accounts

Note	Description	Nature of amendment
25	Defined benefit schemes	Amend the employers contributions payable to the pension scheme from £40.4 million to £32.3 million to agree with corresponding value included in the Statement of Movement in the General Fund Reserve.
25	Defined benefits schemes	Amend the figure for actuarial gains and losses to £434.4 million.
29	Reserves	<ul style="list-style-type: none"> Amend the entries in the note supporting the balance at 31 March 2010 on the revaluation reserves so that it equals the figure in the balance sheet £14.3 million. Amend the capital adjustment account balance at 31 March 2010 to agree with the balance in the balance sheet (£20.4 million)
31	Contingent liabilities	Amend note slightly to make more compliant with recommended practice.
	Post balance sheet events	Include a note to reflect the budget announcement that future public sector pension increases will be based on the consumer price index rather than the retail price index. The change is likely to result in a material change to the Authority's pension liability.
	Pension Fund Account	Include net asset statement at the foot of the fund account.

Appendix 3 – Draft letter of representation

To: Julian Farmer
District Auditor
Audit Commission
The Heath Business and Technical Park
Runcorn
Cheshire
WA74QF

Dear Mr Farmer

Cheshire Police Authority - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the Constabulary and Authority the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2010. All representations cover the Authority's accounts and Pension Fund accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the Authority and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority meetings, have been made available to you.

Appendix 3 – Draft letter of representation

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority.

The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Authority, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

Signed on behalf of Cheshire Police Authority

I confirm that the this letter has been discussed and agreed by the Authority on 21 September 2010

Elizabeth Lunn

Treasurer

September 2010

Appendix 4 – Value for money criteria

KLOE
Managing finances
Planning for financial health
Understanding costs and achieving efficiencies
Financial reporting
Governing the business
Commissioning and procurement
Use of information
Good governance
Risk management and internal control
Managing resources
Natural resources

Appendix 5 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 Introduce controls to provide assurance on the accuracy of police officer pension fund transactions.	2	Treasurer	Yes	Research will be undertaken on other authorities' arrangements and suitable additional controls will be put in place.	March 2011
6	R2 Introduce tests to confirm that main systems can be recovered effectively	2	Director of Finance	Yes	Arrangements will be put in place following agreement with the Director of Information and Management.	March 2011

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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