

Annual Audit Letter

Cheshire Police Authority

Audit 2009/10

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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Key messages

This letter summarises the findings from my 2009/10 audit. My audit comprises two elements: the audit of your financial statements (page 4) and my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 7).

Opinion and financial statements

1 I issued an audit report on 21 September including an unqualified opinion that the financial statements, the police pension fund accounting statements and all related notes give a true and fair view of the Authority's financial position as at 31 March 2010.

Value for money

2 I assess if the Authority achieves economy, efficiency and effectiveness in using its resources against criteria set by the Audit Commission. I concluded that the Authority met the criteria in 2009/10 and I issued an unqualified value for money (vfm) conclusion on 21 September 2010.

Current and future challenges

3 The Authority faces significant financial pressures from 2010/11 onwards brought on by the economic downturn and the consequent pressure on the public sector. The Authority has planned to achieve savings of £5 million in setting its budget for 2010/11. Reports to the Finance Panel show that the Authority expects to make these savings by the year end. The Home Office advised the Authority in May 2010 that police grant will be reduced by £1.7 million in 2010/11. The Treasurer has reported that this reduction will be off set by under spending of around £2 million against the budget.

4 The Authority's medium term financial strategy 2011 to 2016 shows that revenue savings of £39.7 million need to be made over the five year period. At this stage only £6.6 million of savings have been identified. The Authority is aware that the task of identifying and making the remaining savings is big. A group of officers and members "the Gold group" has been set up to make sure that the savings are made whilst not having an adverse impact on the effectiveness of front line policing.

5 The Government has set a new vision for policing. The vision is based on cutting crime and protecting the public, giving more accountability to the public and getting better value for money. The Government wants this vision to be achieved through greater collaboration, the introduction of Police and Crime Commissioners, less government intervention, less bureaucracy, more professional judgement and better engagement with partners.

6 The Authority and Force are clearly aware of the significant challenges ahead. The Force's existing transformation programmes should provide a good basis for meeting these challenges.

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. I gave an unqualified opinion on the Authority's 2009/10 financial statements on 21 September 2010, within the statutory target date.

Overall conclusion from the audit

7 The Authority provided me with draft financial statements by the agreed deadline. The close down of the accounts was well organised and the accounts are supported by good working papers.

8 The Treasurer agreed to amend the accounting and disclosure errors I identified at my audit. None of these were significant.

9 I am required to let the Authority know about the amendments to the financial statements made as a result of the audit. These are set out in my Annual Governance Report which I presented to the Audit Committee on 21 September 2010.

Internal control

10 I did not identify any significant internal control weaknesses. In my Annual Governance Report I made some recommendations to improve controls over the receipts and payments in the pension fund account and the testing for the recovery of backed up systems.

Other financial matters

11 The Authority will prepare financial statements based on International Financial reporting standards (IFRS) for the first time in 2010/11. Successful implementation of IFRS is vital for the Authority and local government as a whole. The Audit Committee has been effectively briefed on IFRS and the Authority's IFRS implementation plans. The Audit Committee has seen draft IFRs accounting policies and the 2009/10 accounts in IFRS format will be presented to the September Committee meeting. During the year I have made two assessments of the Authority's progress towards preparing for the transition to IFRS. I have concluded that the Authority is on track with its plans.

Value for money

I considered whether the Authority is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

2009/10 use of resources assessments

12 The Audit Commission wrote to the Chief Executive in May 2010 to inform him that following the government's announcement, work on Comprehensive Area Assessment would cease with immediate effect and the Audit Commission would no longer issue scores for its use of resources assessments.

13 I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

VFM conclusion

14 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission.

15 I issued an unqualified conclusion on 21 September 2010 stating that the Authority had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

16 The specified criteria are set out in the table overleaf and the key findings from my assessment follow in paragraphs 17 to 19.

Criteria

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

Managing finances

17 The Authority has developed its medium term financial strategy. Public consultation methods that feed financial planning and help identify priority spend areas are good. A challenging efficiency and productivity strategy is delivering results. The Authority has programmes to transform its police and business services. It is important that this programme delivers the changes needed so that value for money is improved. The Force has a better understanding of the costs it incurs. Scorecards have been introduced to help promote a fuller understanding of performance but they need to better explain value for money. Financial reporting to the Authority is timely and in a format that members can easily understand.

Governing the business

18 Arrangements to promote good governance have improved. The Authority has strengthened the Standards Committee. The Professional Standards Department has effectively addressed complaints about officers and complaints have fallen against a nationally rising trend. The Authority has completed scrutiny reviews of partnership effectiveness and communication and consultation. Internal Audit produces a good audit plan and progress monitoring is effective. Counter fraud arrangements have improved. Risk management is now more integrated with business planning. The Authority has a well-established track record to oversee data quality and the use of information. Regular work takes place to ensure compliance with data legislation. Action taken by services has led to improvements in

data quality, for example, a significant decrease in duplicate records. Improvements to data sharing arrangements have enabled staff to share information with partners in a more consistent manner. Information security is adequately reviewed.

Managing resources

19 The Authority has a good carbon management plan supported by the Carbon Trust. This identifies clear information of current and future carbon use and the potential CO2 and financial savings it wants to make by 2013. There has been good progress on the environmental strategy including awareness raising events with employees and developing a green travel plan.

Approach to local value for money work from 2010/11

20 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to VFM audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

21 My work will be based on a reduced number of reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

22 I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Authority in my annual governance report and annual audit letter.

Current and future challenges

Financial pressures

23 In line with other police authorities, the Authority faces significant financial pressures in 2010/11 onwards brought about by the economic downturn and consequent pressures on the public sector. The Authority has set out the scale of the pressures in reports to the Finance Panel and in its Medium Term Financial Strategy.

24 The Authority set a budget of £177.5 million for 2010/11 including savings of £5 million. These savings will be made by departmental budget reductions (£3.8 million) and keeping posts vacant (£1.2 million). The budget is monitored monthly to ensure that savings are made as planned. The Treasurer reported to the July 2010 Finance panel that the £5 million savings should be achieved by the year end.

25 The Home Office advised the Authority in May 2010 that police grant would be reduced in year by £1.7 million. The Authority responded quickly to the announcement. Savings of £0.9 million had been identified by mid July 2010 and the remaining £0.8 million will be achieved by reduced recruitment and civilianisation and small cuts to a wide range of other budgets. The Authority is currently reporting a forecast under spend at the year end of £2 million compared to the approved budget. This will cover the loss of grant and provide an under spend of around £0.3 million.

26 I have concluded that the Authority has responded positively to the financial pressures which it faces in the short term

27 The longer term financial scenario is set out in the Medium Term Financial strategy 2011 to 2016. The main pressures on the Authority's budget in the medium term are due to:

- Potential significant reductions in grant funding by central government;
- The mainstreaming of specific grants, for example, crime fighting fund into the police grant; and
- Reduction in grants from unitary councils in the area

28 The Authority has identified that savings of £39.7 million will need to be made over the five year period covered by the strategy. Of this £39.7 million, savings of only £6.6 million have been identified. Most of the identified savings arise from the transforming businesses services project. A group of officers and members (Budget Gold Group) has been set up to identify £28 million of savings whilst ensuring that performance is maintained, front line services are protected and value for money is improved. The Chief Constable has put detailed reporting arrangements in place to ensure that the plans for achieving better value for money are

achieved. The Authority's policing plan Development Group will work alongside the Budget Gold Group.

29 The Authority and Force will need to ensure that transformation and other efficiency plans are robustly scrutinised and effectively monitored.

Future developments

30 The Authority's Policing Plan highlights that the next few years will see the Authority operating in one of the most challenging environments faced for a generation. The Authority is responding to the effects of the economic downturn and the Home Secretary's new national priorities for police services. The Force's priorities will need to be revised to reflect the new vision for policing. The new vision is about strengthening the bond between police and local people and enabling the police to focus on cutting crime and making people feel safe. The Government intends that this will be achieved by;

- introducing directly elected Police and Crime Commissioners;
- removing bureaucratic accountability;
- ensuring the police are effective in dealing with serious crime and that front line policing is sustained; and
- ensuring that everyone in society plays their role in cutting crime.

31 The Chief Constable has acknowledged that the new vision offers an opportunity to change the way the Force works. The Force is already transforming policing and business services and this should provide a good base in enabling the new challenges to be met.

Closing remarks

32 I have discussed and agreed this letter with the Chief Executive and the Treasurer. I presented the letter to the Audit Committee on 21 September 2010 and will provide copies to all Authority members.

33 The detailed reports I issued to the Authority during the year are shown below. Information about the audit fee is shown in Appendix 1.

Report	Date issued
Audit fee letter	April 2009
Opinion audit plan	November 2009
Supplementary audit plan and progress update	June 2010
Annual Governance report	September 2010

34 The Authority has taken a positive and helpful approach to our audit. I wish to thank the Authority's staff for their support and cooperation during the audit.

Julian Farmer
District Auditor
September 2010

Appendix 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	47900	47900	Nil
Value for money	37640	37640	Nil
Total audit fees	85540	85540	Nil

Appendix 2 Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Authority on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

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

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

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 money, people and time.

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- any third party.



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