

Annual Audit Letter

November 2005



Annual Audit Letter

Devon and Cornwall Police Authority

Audit 2004-2005

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Key messages

Police structure review

- 1 Following HMIC's report recommending that larger and more strategic police forces should be established, police authorities and forces in England and Wales are taking part in a review of police structures. The Home Secretary has set out the factors to be considered in this review and has set out a challenging timetable for its completion. Inevitably, this will give rise to uncertainty, particularly for those forces that fall below the HMIC indicative figure of 4,000 officers or 6,000 staff.
- 2 Forces have made an initial submission of possible options for change to the Home Office by 31 October and have now been asked to concentrate on those options assessed as suitable for progression. There are two such options for the south west.
- 3 In times of change, robust financial governance and effective performance management are particularly important. It is also important that the review should be taken account of in the risk management process so that the need to continue to plan for, deliver and improve services is balanced with the risk of fettering any future successor organisation. Our Annual Audit Letter should be read in this context.

Performance

- 4 During 2004/05, we have kept a watching brief on the progress that the Force has made in implementing the key priorities set out in the National Policing Plan, which is assessed through the policing performance assessment framework. Devon and Cornwall Police received a positive assessment from HMIC's baseline review published in October 2005. Our ongoing overview of the performance of the Force through discussions with staff and review of relevant documents supports the positive conclusion given by HMIC.
- 5 Our review of your strategic approach to procurement showed that the Force has embraced the procurement challenges and following the development of a business case is modernising its procurement processes. It is working well with other organisations and has made good progress in implementing e-procurement. A number of modern e-procurement methods have been introduced, such as market place and e-tendering, which should help to improve efficiencies.
- 6 Towards the end of 2004, efforts to implement and embed strategic risk management across the organisation lost momentum and direction. However, over the past few months significant progress has been made in ensuring risk management becomes embedded across the Force and the Authority. The Risk Management Strategy and Policy have been revisited and accredited training has been delivered to staff who will lead on risk management in the Basic Command Units and Departments. Reporting arrangements for managing risk have also been firmly identified within the new Force Strategic meeting structure.

Financial governance

- 7 Our audit of your financial accounts is complete and I issued an unqualified audit opinion on 28 October 2005.
- 8 The Authority's financial position continues to be soundly based, supported by good budgetary control.
- 9 The Authority has appropriate arrangements in place for:
 - financial standing;
 - internal financial control;
 - standards of financial conduct and the prevention and detection of fraud and corruption; and
 - ensuring the legality of transactions.
- 10 Implementation of the force integrated management system is on schedule with minutes from the October Project Board meeting indicating that risks are being assessed appropriately. Devon Audit Services have been involved throughout the development and training for staff has taken place as planned.

Action needed by the Authority

We identify the following actions as key for the Authority in the coming year:

- monitor arrangements to embed strategic risk management into the organisation;
- ensure that the police structure review is taken account of in the Authority's risk management process so that the need to continue to plan for, deliver and improve services is balanced with the risk of decisions fettering any future successor organisation; and
- monitor progress of the various reviews into the job evaluation process. When the outcomes are known Members need to consider what further action is appropriate.

Performance

Local policing plan

- 11 We reviewed and reported on the performance indicators in the 2004/05 local policing plan in December 2004. We concluded that the plan complied with statutory guidance. We are currently reviewing the plan for 2005/06.
- 12 The National Policing Plan 2004/07 sets out the key priorities for the Force. Performance is measured through the Policing Performance Assessment Framework (PPAF). The HMIC baseline assessment has recently reported its findings (see below). Our ongoing overview of the performance of the Force through discussions with staff and review of relevant documents supports the positive conclusion given by HMIC.
- 13 There is clear and strategic commitment to neighbourhood policing which has improved the level of citizen focus and customer service. This is supported by high levels of customer satisfaction overall. Race and diversity training has been rolled out across the Force but there are internal concerns over the quality and quantity of diversity training and inadequate central co-ordination. Evaluation of the training also needs to be assessed.
- 14 There is a strong focus on partnerships. Links are made between the police annual plans and three year community safety plans. Specific staff are in place to seek and co-ordinate funding and sponsorship opportunities. Key targets from partnerships are monitored through the continuous improvement database and the Partnership Practitioner Forum.
- 15 Recruitment of staff is not an issue although there has been some issue with staffing call centres as there is lot of competition in the region. The Force has lost its investors in people accreditation. However, it does not intend to seek re-accreditation until it has resolved its local difficulties in HR management and training and has ensured that the performance management framework is operating effectively.

Efficiency plan

- 16 Under the Government's comprehensive spending review, police forces and authorities are annually required to deliver year-on-year efficiency gains (at 2 per cent of net revenue expenditure for 2004/05). In determining whether this target has been achieved HMIC takes into account both cashable and non-cashable initiatives.

- 17 As in previous years, HMIC has requested that Audit Commission appointed auditors provide them with an independent assessment of the cashable gains claimed by the Authority. We provided a positive report to HMIC in March 2005. Devon and Cornwall were able to achieve significant savings of £8.0 million, which exceeded its £4.7 million target by £3.3 million. We had no significant issues to report.
- 18 This process for 2005/06 has now changed and we will no longer be requested to provide an independent assessment of cashable gains.

HMIC baseline assessment

- 19 We have agreed locally with HMIC that we will reflect the results and conclusions from their 2005 baseline assessment in this letter. The review resulted in a positive assessment for the Force.
- 20 The baseline assessment (Table 1) has reported that for 29 per cent of performance areas the direction of travel has been assessed as improving, 52 per cent are stable, and 19 per cent has deteriorated. HMIC has assessed one of the criteria areas as excellent, 13 are assessed as good, 11 are fair and 1 is poor.

Table 1 Baseline assessment – summary of judgements (2005)

Summary of Judgements	Grade	Direction of Travel
1 Citizen Focus		
1A Fairness and Equality	Fair	
1B Neighbourhood Policing and Community Engagement	Good	Improved
1C Customer Service and Accessibility	Good	Improved
1D Professional Standards		
2 Reducing Crime		
2A Reducing Hate Crime and Crimes against Vulnerable Victims	Good	Stable
2B Volume Crime Reduction	Good	Stable
2C Working with Partners to Reduce Crime	Excellent	Stable
3 Investigating Crime		
3A Investigating Major and Serious Crime	Fair	
3B Tackling Level 2 Criminality	Fair	

Summary of Judgements	Grade	Direction of Travel
3C Investigating Hate Crime and Crimes against Vulnerable Victims	Good	Stable
3D Volume Crime Investigation	Fair	Deteriorated
3E Forensic Management	Fair	Improved
3F Criminal Justice Processes	Good	Deteriorated
4 Promoting Safety		
4A Reassurance	Good	Stable
4B Reducing Anti-Social Behaviour and Promoting Public Safety	Good	Stable
5 Providing Assistance		
5A Call Management	Fair	Improved
5B Providing Specialist Operational Support	Good	Stable
5C Roads Policing	Good	Stable
6 Resource Use		
6A Human Resource Management	Poor	Deteriorated
6B Training and Development	Fair	Improving
6C Race and Diversity	Fair	
6D Resource Management	Good	Stable
6E Science and Technology Management	Fair	Improved
6F National Intelligence Model	Good	Stable
7 Leadership and Direction		
7A Leadership	Fair	
7B Strategic Management	Fair	Deteriorated
7C Performance Management and Continuous Improvement	Good	Stable

Source: HMIC baseline assessment, October 2005

Significant conclusions from the 2005 baseline

- 21 The Force has undergone significant structural and cultural change over the past few years. Following the appointment of the current Chief Constable, some headquarter's functions were restructured and an ongoing transition towards transformational styles of leadership commenced. Territorially, the Force comprises four Basic Command Units (BCUs): Cornwall and Isles of Scilly, Plymouth, North and East Devon, and South and West Devon. Each is commanded by a Chief Superintendent, typically there is a superintendent, who acts as a deputy to the BCU commander, a superintendent partnership and a further superintendent who is responsible for operations. These senior staff are supported by chief inspectors that have specialist or geographical areas of responsibility. Suitably qualified police staff support each area management team, with responsibility for human resources (HR) and business management.
- 22 The cultural changes still under way in the Force are being promoted by the Force Command Team (FCT) and are based on the concept of geographical ownership and accountability from BCUs down to sector and neighbourhood levels. In February 2005, the FCT launched the new vision, mission and values to further clarify and focus strategic direction by developing the engagement circle relating to neighbourhood policing. This vision includes a commitment to provide each of the neighbourhoods in the two counties with a dedicated constable and, importantly, that these officers will not be abstracted unless absolutely necessary. The changing culture of the organisation is proving a challenge for the Force, but already there are signs the new style of leadership is becoming embedded.
- 23 Devon and Cornwall's performance is captured throughout the baseline assessment report. While there is an effective performance regime in relation to criminal justice, the Force was not on track to achieve its target on offences brought to justice, although recent improvements have established a positive trend which will now lead to attainment of this target. Good progress is, however, being made in combating Class A drugs and in the recruitment of black and minority ethnic officers. During the period under review, the two counties experienced some significant major crime, and as a result large numbers of experienced detectives were abstracted from their core functions. While considerable success was evident in relation to the detection of these major crimes, performance in relation to the detection of volume crime has slipped during 2004/05. The Force did, however, succeed in achieving a 'green' assessment for its compliance with the National Crime Recording Standard (NCRS) for the second year running.
- 24 Performance in relation to call handling continues to improve, with some innovative and creative approaches to team and individual training and development, action to reduce sickness and continuing improved achievement against targets. Improvements have also been recognised in relation to training, which was the subject of an independent national review by HMIC Training during 2004/05. Concerns, however, in relation to HR management have been raised and are recorded within the baseline assessment.

Procurement review

- 25 In August 2003, the Government commissioned Sir Peter Gershon to undertake a review of public sector efficiency. It focused on the Government's key objective to release resources to fund the frontline services that meet the public's highest priorities by improving the efficiency of service delivery. The results published in July 2004 identified auditable and transparent efficiency gains of over £20 billion in 2007/08 across the public sector.
- 26 The Government's Efficiency Review challenges the public sector to accelerate the drive for efficiencies while continuing to invest in, and improve frontline services. Police authorities will be responsible for working with their local police forces and the Home Office to take forward delivery of value for money (VFM) gains which are equivalent to gains of at least 3 per cent per annum.
- 27 Led by the Association of Police Authorities (APA) and the Association of Chief Police Officers (ACPO), the police service is developing a national approach to identifying and realising VFM gains in procurement. This includes ACPO establishing a centre of police procurement excellence and the Service developing strong links with the Regional Centres of Excellence and other improvements being led elsewhere in the local government community.
- 28 Our review focused on the Force's strategic approach to procurement in the light of the requirements set out in the Gershon Review. We took into account the National and Regional Procurement arrangements and assessed how these reconciled with local business requirements. We examined corporate governance arrangements, the strategy for delivering effective procurement and the corporate and local guidance which is in place for procuring managers.
- 29 We concluded that the Force has embraced the procurement challenges and after the development of a business case is modernising its procurement processes. It is working well with other organisations and has made good progress in implementing e-procurement. It has introduced a number of modern e-procurement methods, such as market place and e-tendering, which will improve efficiencies.
- 30 The Devon Procurement Partnership (DPP) commenced a collaborative procurement exercise in October 2003 for an e-tendering solution. An e-tendering website has been initiated and is marketed as 'bluelight'. This has already been used by the Force realising many efficiencies.
- 31 Devon and Cornwall Police Authority has also been an important player in the development and enhancement of a National Contracts Database. This provides procurement staff with access to all appropriate national, regional and local contracts, and facilitates the sharing of procurement information and best practice amongst UK police forces, on a centralised secure online interface.

Risk management

- 32 Last year, we reported that the Police Authority and Force were making good progress towards developing arrangements for Corporate Risk Management, with a Strategy and Framework for delivery approved in June 2004. The Force Performance Monitoring Board sanctioned the use of the Corporate Risk Register in August 2004.
- 33 In the latter part of 2004 and during the early months of 2005, due to staff changes, little progress was made in developing and implementing the risk management framework. However, with the appointment of the Head of Strategic Development in April 2005 concerted efforts were made to completely revamp the risk management process. Under his direction, and following the appointment of a new Principal Analyst, a dedicated work group was established within the Strategic Development Department to take the issue forward.
- 34 Progress has been encouraged and supported by the active participation of the Authority and particularly members through the Audit Committee. There has also been substantial input from the Force's Insurers and Devon Audit Services. Accredited training has been delivered to staff who will lead on Risk Management in Basic Command Units and Departments. A defined meeting within the new Force Strategic meeting structure has been established. The register format and risk scoring model have been significantly reworked. The Risk Management Strategy and Policy have been revisited. All of these issues will be considered at the inaugural meeting of the Force Risk Management Panel on 11 January 2006. The register will be subsequently reviewed on a bi-monthly basis and reported on to the Force Executive Board accordingly. Steps are also being taken to integrate the approach of the Force and the Authority and future operation will be monitored by the Corporate Governance Committee.
- 35 We will continue to monitor the progress made in embedding risk management within the Police Authority and Force, particularly in light of the Police structure review.

Review of crime data quality

- 36 Our work on crime data quality last year highlighted that further improvements had been made to both the accuracy of the recorded data and to the Force's management arrangements since the baseline assessment in 2003. The Authority was rated 'green' overall.
- 37 For 2005/06 we will review your progress with crime data recording and the arrangements that you have in place to secure data quality. The detailed work that will be undertaken in this (year 3) audit has been agreed nationally by the Audit Commission and the Police Standards Unit (PSU). Table 2 shows how the proportionate risk-based approach will work, based on the year 2 results.

Table 2 Audit approach - year 3

The agreed audit approach for year 3 crime data quality

	Overall results in year 2		
	Green Force	Amber Force	Red Force
Follow-up of Year 1 and Year 2 action plans	√	√	√
Management arrangements	Proportionate review, focussing on areas for improvement identified in previous reviews.		
Data testing:			
Investigation 1	Force level only	Force level + sample BCUs	All BCUs
Investigation 9	√	√	√

Audit Commission and PSU

- 38** For Devon and Cornwall, as a green-rated Force, this means we will review your progress with the action plans that were prepared during the year 1 and 2 audits, and we will focus our management arrangements work on the improvement areas that were identified as part of these plans. For crime data quality we will review data under investigations 1 and 9.
- 39** We have met with the Force to discuss the data testing and management arrangements work, in order to outline the approach that we will be taking and to agree how the data samples will be selected.
- 40** Subject to the selection of a valid data sample, the crime data quality audit will be completed during the period of November 2005 and March 2006. The findings from our year 3 audit will be reported in April 2006, following the completion of national consistency reviews.

Activity-based costing

- 41** All Forces have been required to implement activity-based costing (ABC) since 1 April 2003, although 2004/05 was the first year when ABC had to be fully implemented. Our work on ABC last year identified that there were some weaknesses in the systems and processes in place that required management action, although these did not materially affect the accuracy or reliability of the ABC submission to the Home Office for 2003/04. The Authority put in place an action plan to secure improvements for the 2004/05 data.

- 42 Our work in relation to ABC, which is in partnership with the Police Standards Unit of the Home Office, is scheduled to be completed during the period December 2005 to 31 March 2006, and will be aligned and integrated with the crime data quality audit that is to be completed during the same timeframe.
- 43 The focus of the reviews will continue to be on the arrangements in place in police authorities and forces to support appropriate and sustainable use of activity based costing, with testing of the costing model used to support the assessments made. The review will include the following elements:
- follow-up of the recommendations of previous reviews;
 - accuracy and compliance of the costing model;
 - the effectiveness of management arrangements, including the role of the Police Authority; and
 - how effectively ABC is being used by the Force and the Authority to drive improvement.
- 44 We are making arrangements to meet with key staff in order to outline our approach to the audit. We have already discussed with senior officers the potential advantages of carrying out elements of this work at the same time as the crime data quality work, for example joint 'focus groups'. The findings from the review will be reported to the Authority in late April 2006, following the completion of national consistency reviews.

Police authority improvement programme

- 45 The Police Authority is fully committed to its own continuous improvement and development. It has been using the APA Assessment and Improvement Framework as an important tool in this process. The Framework provides the Authority with a clear and focussed steer on issues like:
- where and how the Authority provides added value;
 - how the Authority monitors and measures performance; and
 - how the Authority can demonstrate they are an effective link between the police service and the public they serve.
- 46 An important element of this improvement programme is to invite participation from a variety of people to take part in a challenge exercise and thereby assess the perception of how the Authority is performing and the appropriateness of its direction in areas that affect them. We were invited to participate in this challenge event, which took place in July 2005, along with representatives from other partner agencies, public organisations and authorities and the community. This process was facilitated by an external consultant to enable participants to challenge and critically question the current process with the aim to identify and influence potential improvements.

- 47** The outcomes of this challenge event, where appropriate, will feed into the Improvement Programme and affect the decisions on which areas of business need further development.

Accounts and governance

Audit of 2004/05 accounts

- 48 As part of our audit of the accounts, we reviewed and placed reliance on the Authority's arrangements for ensuring the integrity of the main accounting system, budgetary control and the year-end closedown procedures. This enabled us to focus our year-end testing of the draft financial statements on those areas of highest risk. During 2005/06 we will work closely with finance staff to continue to improve the efficiency of the audit process.
- 49 Members of the Resources Committee approved the Authority's Statement of Accounts for 2004/05 on 27 July 2005, ahead of the statutory deadline of 31 July 2005. As part of the whole of government accounts agenda (and as required by the Accounts and Audit Regulations 2003), the deadline for the production and approval of the accounts next year will be one month earlier (30 June 2006). We understand that the Authority has already made arrangements for the earlier closedown.
- 50 When the accounts for 2004/05 were approved by the Resources Committee at their meeting in July 2005, information on the revaluation of part of the police property portfolio was not available. Members were informed that any final valuations might impact upon the figures in the accounts. The final valuations received from the independent valuation company at the end of August highlighted material changes to the asset valuations reported in the draft Statement of Accounts. As a result the Authority agreed to represent and adopt the revised valuation figures in the Statement of Accounts, together with some other minor capital accounting alterations, on 28 September 2005.
- 51 Professional auditing standards require auditors to report relevant matters arising from the audit of the financial statements to 'those charged with governance'. For Devon and Cornwall Police, 'those charged with governance' is now the Corporate Governance Committee. Our audit did not identify any issues that were required to be reported to this Committee.
- 52 The Authority has appropriate arrangements in place in respect of financial standing, internal financial control, standards of financial conduct and the prevention and detection of fraud and corruption, and for ensuring the legality of transactions.

Financial standing

- 53 The Authority has a track record of delivering against the annual budget and has appropriate arrangements in place to ensure that its financial standing is soundly based.

2004/05 financial position

- 54 Overall, revenue reserves have increased during the year while reserves available to fund capital spending in the future have reduced (Table 3).
- 55 The Authority marginally underspent by £12,000 against its overall budget of £233.1 million. This was achieved in spite of the many challenges faced by the Force throughout the year, in particular the continuing pressure on the major operations budget which was overspent by £1.1 million. This favourable outturn was achieved through a corresponding underspend against corporate programmes and projects. The devolved budget performance in each of the four Basic Command Units recorded only small variations against budget and departmental budgets delivered savings. At £6.1 million the level of general reserves represents 2.6 per cent of the Authority's budget, which is in accordance with its financial strategy. This is supported by earmarked reserves of £16.5 million.
- 56 Capital expenditure incurred during the year was £8.5 million compared to planned spending of £10.4 million. This underspend was due in the main to slippage on implementing Airwave. We understand that the Airwave roll-out and implementation is going well and the spending should have caught up during the early months of 2005/06. The Authority funded its capital spending largely from capital grants from the Home Office and borrowing.

Table 3 Level of reserves

Revenue reserves increased during the year while reserves available to fund capital spending have reduced

Reserve	2003/04 £m	2004/05 £m
General balances	5.9	6.1
Earmarked reserves	10.2	16.5
Total revenue reserves	16.1	22.6
Capital reserves	2.5	0.2

Source: financial statements for the year-ended 31 March 2005

- 57 Pension costs continue to be a key financial pressure on police authorities nationally and the position at Devon and Cornwall Police Authority is no different. The pension liability for police officers and staff at 31 March 2005 stood at £1,475 million (£1,116 million at 31 March 2004). The financial pressure placed on police authorities by the unfunded pension scheme for uniformed officers is recognised nationally. Following a Home Office review, a revised police pension scheme for new starters is to be introduced from April 2006. The scheme will significantly change the responsibilities for funding police pensions. Following the implementation of the new scheme, the Authority will need to review the level of reserves that will be required for pension costs.

Systems of internal financial control

- 58 We have not identified any significant weaknesses in the overall control framework:
- Internal Audit provides an effective service and we have relied on internal audit work where appropriate;
 - the Authority has good arrangements in place to develop its statement on internal control (SIC) which was published alongside the financial statements. The SIC is an important part of the corporate governance system and is the mechanism through which the Authority reviews and monitors the effectiveness of internal controls across the organisation; and
 - structural arrangements are now in place to ensure that risk management becomes embedded in the organisation.

Standards of financial conduct and the prevention and detection of fraud and corruption

- 59 We have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption.
- 60 During the year, the Authority took part in the Audit Commission's National Fraud Initiative (NFI 2004/05). The NFI, which is undertaken every two years, aims to help identify and reduce fraud by bringing together data from NHS bodies, local authorities and government departments and other agencies, to detect a wide range of frauds against the public sector. These include occupational pension fraud, payroll and housing benefit fraud, with the details of housing benefit fraudsters being passed back to the employing body to allow them to consider the implications and take action as appropriate. Where little or no such fraud is identified then the Authority can gain assurance about internal arrangements for preventing and detecting fraud.
- 61 The detailed investigation of the information reported to the Police Authority was undertaken by Internal Audit. We understand that there have not been any significant matches identified although the information is still being finalised.

Legality of transactions

- 62 We have not identified any significant weaknesses in the framework established by the Authority for ensuring the legality of its significant financial transactions. The Chief Executive and Clerk, in his role as monitoring officer, has not brought any matters to our attention during the year.

Force integrated management system project

- 63 Over the past year, the Force has had to manage a significant risk with the implementation of a new Force integrated management system (FIMS). The financial elements of the package were put in place at the beginning of November. The full roll out to the Human Resources (HR) Department, Finance, Procurement and ICT will occur over the coming months.
- 64 Successful implementation of this major project is critical to the operation of the organisation and there has been increased pressure due to the deadline set for the termination of the present payroll arrangements with Devon County Council.
- 65 Minutes from the recent FIMS Project Board demonstrate that the project is on schedule and that risks are being assessed appropriately. This has been achieved through close working between the Force and the Authority. Devon Audit Services have been involved throughout the development and they have confirmed that training has taken place as planned. Focus needs to be maintained on the need for resilience to ensure that the potential absence of key personnel at critical stages does not affect the project.

Job evaluation scheme for police staff

- 66 In April 2005, the Force completed a Job Evaluation Scheme for police staff. In excess of 500 jobs roles were identified and evaluated. The outcome was that a number of staff were re-graded and salary scales were changed from April 2005. This would have resulted in some staff being paid more, some staying on their current salary and others receiving salary cuts, although with protection arrangements until October 2006.
- 67 As a result of the reactions of staff, it was agreed that the changes proposed by the evaluation scheme should not be proceeded with. However, it was further agreed that where staff had already had increases implemented in April 2005, these would be honoured.
- 68 The job evaluation scheme implementation has now been withdrawn pending further review of the process. The bad public press and the staff reaction that have resulted from this have had major repercussions on the Police Authority and the Force. Two separate reviews were set up to:
- independently review the job evaluation scheme itself to see whether it was 'fit for purpose' This would be undertaken by ACAS; and
 - undertake a full and independent audit of the processes that were followed to see what lessons could be learned. This has been initiated by the Police Authority.
- 69 A further internal investigation has also taken place to review specific allegations of potential misconduct in the way the review was undertaken. This was being conducted by the Metropolitan Police.

- 70 We understand that the Force and the Authority remain committed to the principle of job evaluation and will be developing new proposals in due course. It is recognised that the present proposals for the restructuring of police forces will have an impact on the timing of this.
- 71 The outcomes of the various reviews have yet to be reported. We will review the conclusions of these reviews when available and consider the implications for our audit work.

Grant claims

- 72 The Home Office have recently confirmed that they have removed the requirement for audit certification for police grants for 2004/05 and beyond.
- 73 This follows a review of arrangements to obtain adequate assurance about grant monies in accordance with a request from HM Treasury. The key principle from the HM Treasury request is that the audit for grants should be carried out in a way proportionate to the amounts involved and the associated risks. Recipients will need to account for their claims but further certification through formal audit is not always necessary.
- 74 The Home Office have concluded that taking all factors into account they are content to proceed from and including 2004/05 on the basis of annual assurance from the Chief Financial Officer and the Chief Constable.

Looking forwards

Future audit work

- 75 We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts and the delivery of the police data quality audit and the activity-based costing review, will be reported in next year's Annual Audit Letter.
- 76 We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the Authority. We will continue with this approach when planning our programme of work for 2006/07. We will continue to develop our relationship with HMIC to ensure a co-ordinated approach to regulation.

Revision to the Code of Audit Practice

- 77 The statutory requirements governing our audit work are contained in:
- the Audit Commission Act 1998; and
 - the Code of Audit Practice (the Code).
- 78 The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan which was agreed with the Audit Committee in March 2005. The key changes include:
- the requirement to draw a positive conclusion regarding the Authority's arrangements for ensuring value for money in its use of resources; and
 - a clearer focus on overall financial and performance management arrangements.

Working with HMIC

- 79 HMIC currently undertakes a baseline assessment of every police force. The methodology is similar to that of the Comprehensive Performance Assessment (CPA) for local authorities and it includes an assessment of financial management and financial standing.
- 80 In the past, this assessment has been undertaken by a member of HMIC staff. To reduce potential for overlaps and secure greater consistency in reporting it is proposed that in future the Audit Commission would develop and produce a Use of Resources judgement for all police forces and that HMIC would rely on this judgement and incorporate it into the baseline assessment.

- 81 Negotiations are at an early stage but we would aim to have the new arrangements in place for the 2006/07 audits which would mean that a Use of Resources judgement would be given in July/August 2006 to feed into the HMIC baseline assessment reports which are published each October.

Closing remarks

- 82 This letter has been discussed and agreed with officers from the Authority and the Force. A copy of the letter will be presented at the Corporate Governance Committee on 23 November 2005 and to the Police Authority on 30 November 2005.
- 83 The Authority has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the Authority's assistance and co-operation.

Availability of this letter

- 84 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Authority's website.

Peter Arkell
District Auditor
17 November 2005

Appendix 1 – Background to this letter

The purpose of this letter

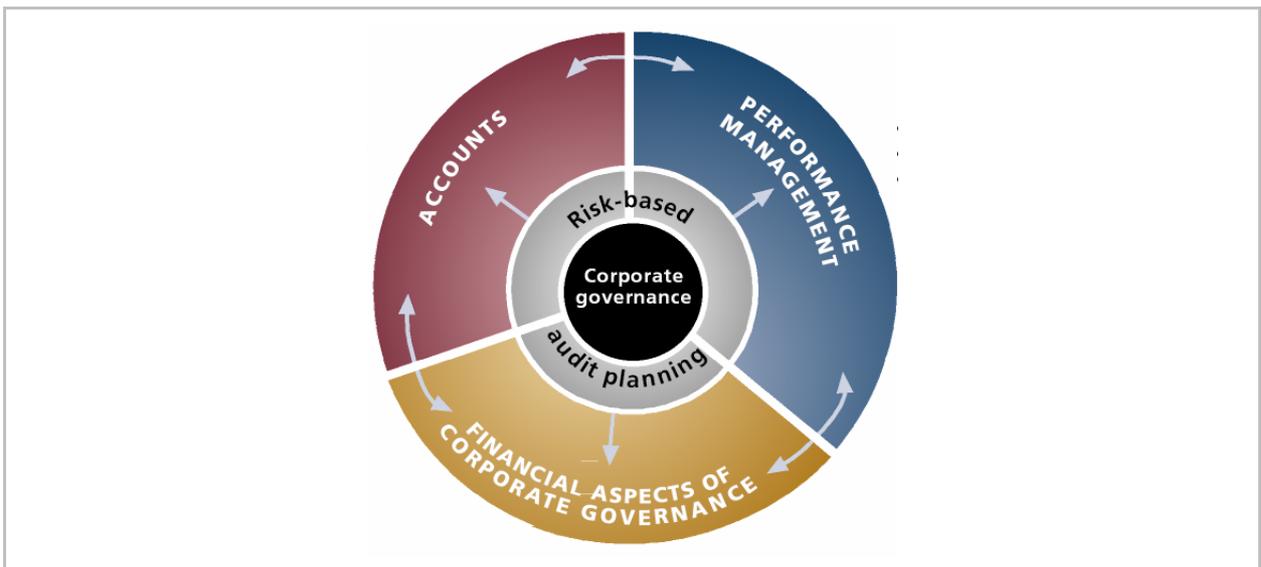
- 1 This Annual Audit Letter summarises the conclusions and significant issues arising from our recent audit of the Authority.
- 2 We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 2 for information.
- 3 The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 4 Appendix 3 provides information about the fee charged for our audit.

Audit objectives

- 5 Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on the significant risks that are relevant to our audit responsibilities.

Figure 1 Code of Audit Practice

Code of practice responsibilities



- 6 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as shown below.

Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

Performance management

- Use of resources.
- Performance information.
- Best value performance plan.

Appendix 2 – Audit reports issued

Table 2

Report title	Date issued
Audit Plan	May 2004
2004/05 Efficiency Plan: Efficiency Gains Assessment	March 2005
Core Processes, Governance and Internal Audit	June 2005
Procurement	June 2005
Review of Financial Statements 2004/05	October 2005
Annual Audit Letter	November 2005

Appendix 3 – Audit fee

Table 3 Audit fee update

Audit area	Plan 2004/05	Actual 2004/05
Accounts	£26,600	£26,600
Financial aspects of corporate governance	£20,900	£20,900
Performance	£30,200	£30,200
Total fee	£77,700	£77,700