

Annual Audit Letter

Devon and Cornwall Police Authority

Audit 2007-2008

December 2008



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Status of our Reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Summary

Key messages

- 1 I issued an unqualified opinion on the Statement of Accounts and Value for Money (VFM) conclusion for 2007/08.
- 2 I also assessed how well the Authority managed and used its resources in 2007/08 by reviewing its arrangements in five specific areas. This is known as the Police Use of Resources Evaluation (PURE). The Authority has maintained an overall assessment of three which indicates it is performing well.

Recommendation

- 3 This letter contains the following recommendation for specific consideration by the Authority:
 - Ensure that the Force's Annual Report contains adequate summary financial information and an analysis of the Authority's environmental footprint.

Purpose, responsibilities and scope

- 4 This Annual Audit Letter (letter) provides an overall summary of the Audit Commission's assessment of the Authority, based on audit work performed in relation to the accounting period ending 31 March 2008. Where relevant this work has included assessment of the arrangements in place in the Police Force, as well as the Authority.
- 5 I have addressed this letter to members as it is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. I have made recommendations to assist the Authority in meeting its responsibilities.
- 6 This letter also communicates the significant issues to key external stakeholders, including members of the public. I will publish this letter on the Audit Commission website at www.audit-commission.gov.uk.
- 7 I have prepared this letter as required by the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.
- 8 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I am required to review and report on:
 - the Authority's accounts;
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - how well the Authority has managed its resources (the Police Use of Resources scores).
- 9 I have listed the reports issued to the Authority relating to the 2007/08 audit at the end of this letter.

Audit of the accounts

- 10** I issued an unqualified audit opinion on the Authority's accounts on 26 September 2008.
- 11** The Financial Statements were approved by the Police Authority on 27 June 2008. One material error (relating to the liabilities for police pensions) and a small number of non trivial errors were identified as part of the audit of the financial statements and these were reported to management. Your officers agreed to adjust the financial statements to correct these errors. The quality of the working papers supporting the statements continues to improve year on year and a comprehensive set of electronic working papers was made available at the start of the audit in early July. Summary financial information that meets the needs of a range of stakeholders is published on the Police Authority website.
- 12** Before giving my audit opinion on the financial statements I reported to the Corporate Governance Committee on 16 September 2008 on the issues arising from the 2007/08 audit.

Whole of Government accounts

- 13** Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. The Authority is required to submit a 'consolidation pack' to Communities and Local Government and I am required, as your auditor, to undertake a range of procedures to review the information submitted.
- 14** No issues arose from the audit procedures we carried out and the 'consolidation pack' was submitted on 30 September 2008.

Use of resources

Value for Money conclusion

- 15** I am required to conclude whether the Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. I assessed your arrangements against twelve criteria specified by the Commission. My conclusion is informed by my work on Use of Resources, a scored judgement reported to the Audit Commission.
- 16** I have assessed the arrangements of the Authority as adequate in all twelve areas and consequently I have concluded that the Authority has proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Police Use of Resources scores

- 17** I assessed the Authority's arrangements in five areas; financial management, internal control, value for money, financial reporting and financial standing; using a scale of 1 to 4, as follows:
- Level 1 - Inadequate and below minimum standards.
 - Level 2 - Adequate.
 - Level 3 - Performing well.
 - Level 4 - Performing strongly.
- 18** I issued a detailed report (excluding financial reporting as this was still under review with the audit of the financial statements) supporting my assessment and highlighting areas for improvement to the Treasurer on 8 August 2008. The scores for 2007/08 are set out in the following table together with a summary of the Authority's progress relative to the 2006/07 assessment.

Table 1 Police Use of Resources scores

Theme	Assessment	Progress
Financial reporting	3 (performing well)	➡ Maintained
Financial management	3 (performing well)	➡ Maintained
Financial standing	3 (performing well)	➡ Maintained
Internal control	3 (performing well)	➡ Maintained
Value for money	3 (performing well)	➡ Maintained
Overall assessment <i>by</i> the Audit Commission	3 (performing well)	➡ Maintained

(Note: 1 = lowest, 4 = highest)

19 The Authority has achieved an overall assessment of three (performing well). The key findings for each of the five themes are shown below.

Financial reporting

20 As recorded in paragraph 11 above the accounts presented for audit contained one material error and a small number of non trivial errors. These were adjusted before the audit opinion was issued. The quality of the working papers supporting the statements continues to improve year on year and a comprehensive set of electronic working papers was made available at the start of the audit in early July.

21 The most recent published accounts, annual audit letter, agenda, reports and minutes for meetings of the Authority and Committees, and other relevant publications (e.g. Annual Report and HMIC reports) are made available to the public on the Police Authority’s website on a timely basis and in accessible formats appropriate to comply with duties under the equalities legislation. Summary financial information that meets the needs of a range of stakeholders is also published on the Police Authority website. To promote external accountability the Annual Report should contain adequate summary financial information and an analysis of the Authority's environmental footprint.

Recommendation

R1 Ensure that the Force's Annual Report contains adequate summary financial information and an analysis of the Authority's environmental footprint.

Financial management

- 22** Corporate priorities are clearly set out in the Annual and Strategic Policing Plan. The business planning process drives the medium-term financial strategy (MTFS) and internal resource allocation. The MTFS is informed by other key strategies such as the IT and the HR strategies. The financial implications of these are risk assessed and included as appropriate within the MTFS and the annual budget. Robust monthly budget monitoring arrangements ensure that forecast outturns are on target to be achieved. Force performance is regularly reported to Authority Members.
- 23** A Strategic Asset Management Plan is being developed during 2008/09 that should provide clear forward looking strategic goals for its property assets and show how land and buildings will be used and developed to help deliver corporate priorities and service delivery needs.
- 24** A detailed review of Partnership arrangements has been undertaken but a full Partnership Strategy has yet to be produced. Work is now underway to assess the full financial and governance arrangements.

Financial standing

- 25** The Authority sets a balanced budget that takes account of cost pressures and the impact of the precept requirement. There is clear operational responsibility for budgets provided by a Corporate Finance Team with Admin and Finance Managers based within BCUs.
- 26** There are regular budget monitoring reports to the Force and Authority. Significant over or under spends have been avoided in recent years. The Authority has a policy on the nature and level of reserves which takes into account the risk of major incidents occurring. This is set out in the budget report.
- 27** The Police Authority has established a Sponsors Group to set targets and monitor progress in terms of the Force Development Programme and the objective of the Force to become a top performing Force. There is scope for further improvement through the setting of challenging targets for a comprehensive set of financial health indicators.

Internal control

- 28** There is an appropriate risk management strategy in place which is reviewed on an annual basis. Risk registers are compiled in each department (operational and support) and the Police Authority, and are brought together to form an overall corporate risk register for strategic planning and decision making. All projects require a risk assessment and a sustainability impact assessment.
- 29** Internal Audit's annual work programme is derived from the risk register. Risk Management is monitored by the Corporate Governance Committee who receive regular reports on the Police Authority and Force Risk Registers. Senior responsibility for risk management within the Force lies with the Deputy Chief Constable.
- 30** The Force recognises the requirement for business continuity management to ensure that in the event of a critical failure within the organisation it can continue to deliver adequate levels of policing to provide an appropriate emergency response.

Use of resources

- 31 The Authority and Force have conducted an annual review of the effectiveness of the governance framework, including the system of internal control and reported on this in the Annual Governance Statement. The risk of fraud and corruption is considered in the Police Authority's overall business risk management process and reflected in the corporate risk register and the Medium Term Financial Strategy.
- 32 The Authority has formally adopted a code of conduct for Members. Professional standards are in place for officers of the Force, as are codes of conduct for Force staff. A code of conduct for Police Authority staff has been drafted but has not yet been approved. An annual appraisal scheme for Members helps focus the contribution of Members towards the achievement of the Authority's objectives and aspirations, in the context of their own accountabilities.

Value for money

- 33 The culture within the Force continues to be one of continuous improvement. There is good evidence that budgets and performance are well managed and areas of spend are in line with its priorities. Timely performance reports are presented to Members for monitoring and they are now more pro-active in challenging costs, performance and the efficiency agenda.
- 34 The Force responds to local needs and it has a good understanding of the external factors that impact upon its services. Of particular note is the civilianisation program which has supported improvements in priority areas such as Protective Services and Neighbourhood Policing.
- 35 There is strong commitment to the wider efficiency agenda and the Force and Authority are keen to collaborate and work in partnerships. The Force and Authority have highlighted major changes in working in partnership within its annual plan.
- 36 Further challenges remaining for the organisation are in the areas of sickness management, with poor sickness rates for police officers and staff compared to its most similar force group, and the 'satisfaction of victims with action taken by the police' which is the lowest in its most similar force group.

National Fraud Initiative

- 37 The National Fraud Initiative is a data matching exercise that compares sets of data to identify inconsistencies or other circumstances that might indicate fraud or error. It also helps auditors to assess the arrangements that audited bodies have put in place to deal with fraud.
- 38 The referrals from the most recent exercise were released to participating bodies in January 2007. Internal Audit investigated the matches relating to the Devon & Cornwall Police Authority and identified no irregularities indicating fraudulent activity.

Closing remarks

- 39** I have discussed and agreed this letter with the Treasurer and I will present the letter to the Police Authority on 5 December 2008.
- 40** Further detailed findings, conclusions and recommendations on the areas covered by audit work are included in the reports issued to the Authority during the year.

Table 2 Reports issued

Report	Date of issue
Audit plan	May 2007
Use of resources	August 2008
Report to those charged with governance	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Annual audit letter	December 2008

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

Alun Williams

District Auditor
December 2008

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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