

Annual Audit Letter

Lancashire 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 report summarises my findings from the 2009/10 audit. My audit comprises two elements: the audit of your financial statements (pages 3 to 4) and my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 9).

Audit opinion and financial statements

1 I issued an unqualified opinion on the Authority's financial statements on 29 September 2010. The financial statements were submitted for audit by the deadline of 30 June 2010. The financial statements did not contain any material errors.

Value for money

2 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. The Audit Commission specifies which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each audited body.

3 I issued an unqualified conclusion on 29 September 2010 stating the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

Current and future challenges

4 Like all authorities, Lancashire Police Authority faces significant financial pressures. The full extent of necessary spending cuts will become clearer after the Autumn 2010 Spending Review and allocation of revenue grant funding for 2011/12 and beyond. The Authority needs to ensure that financial planning continues to identify and address any predicted shortfalls in funding.

5 2010/11 will see the implementation of International Financial Reporting Standards (IFRS) to local government accounts. This will require careful planning to ensure the required information is available to enable an efficient transition to the new financial reporting requirements.

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement demonstrate how the Authority accounts for its stewardship of public funds.

I gave an unqualified opinion on the Authority's 2009/10 financial statements on 29 September 2010, within the statutory target date.

Overall conclusion from the audit

6 The financial statements were submitted for audit by the deadline of 30 June 2010. Good working papers supported the accounts and officers answered queries on a timely basis. The financial statements did not contain any material errors. There were a small number of errors over our trivial threshold of £64,570. These were reported to members in our Annual Governance Report on 28 September 2010 together with our recommendations.

7 I issued an unqualified opinion on the Authority's financial statements on 29 September 2010.

Internal control

8 I did not identify any significant weaknesses in your internal control arrangements.

International Financial Reporting Standards (IFRS) in local government

9 Local authorities are required to prepare financial statements on an IFRS basis from 2010/11 onwards. The Audit Commission has undertaken two surveys with local authorities to assess progress in preparing for the implementation of International Financial Reporting Standard in local government. The surveys indicated that the Authority is preparing well for the implementation of IFRS. I have no concerns about the Authority's progress towards IFRS which I need to bring to your attention at this time. The audit team will continue to liaise with officers to assess progress and share any good practice.

National Fraud Initiative

10 The Audit Commission plays an important role in the fight against fraud. It runs a data matching exercise every two years to help detect and prevent fraud: the National Fraud Initiative (NFI). The total fraud, overpayments and errors detected across the country in the latest completed exercise covering 2008/2009 amount to £215 million. Since the exercise began in 1996 cumulative national savings total £614 million.

11 The NFI is a data matching exercise comparing information held by different organisations, including some from the private sector, to identify potentially fraudulent claims and overpayments. Examples of data matching undertaken include pension payments being checked to records of deceased persons and council tax records being matched to the electoral register. The Authority participates in this bi-annual exercise. Savings in relation to the 2008/09 NFI exercise for the Authority total around £9,000 to date.

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 At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on CAA would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

13 However, 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.

14 I report the significant findings from the work I have carried out to support the vfm conclusion.

VFM conclusion

15 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. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

16 This is a summary of my findings.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural Resources	Yes
Strategic asset management	N/A
Workforce	N/A

17 I issued an unqualified conclusion stating that the Authority had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources. I reported the findings of my work in relation to the VFM conclusion to members in my Annual Governance Report on 28 September 2010 and this is set out below.

Managing Finances

18 The Authority has strong financial arrangements in place to support delivery of strategic objectives. Objectives reflect national priorities and local issues, identified through detailed community engagement with partners. It has sound financial health and a good track record of managing spending within budgets. There are clear links between strategic planning and service planning, with officers and members contributing to the planning process. The current financial strategy focuses on planning for future cuts in public spending, while continuing to make efficiency savings that will help protect investment in priority services such as neighbourhood policing (praised by HMIC) and protecting people. Efficiencies need to be closely monitored to ensure they are delivered.

19 The Authority has a detailed understanding of comparative costs and spending. It makes good use of benchmarking and unit costs to challenge performance and vfm. Analysis and use of transaction costs is strong and has resulted in improved services and vfm. The Authority uses alternative

service delivery models to increase capacity, improve performance and reduce costs. Joint planning and delivery of services is helping to deliver economies of scale and boost capacity. A planned programme of organisational service reviews is delivering improvements in areas such as fleet, property and purchasing. The Force's sustaining excellence programme introduced in 2008/09 is effective for reconfiguring services and securing value for money improvements.

20 Budgets are devolved and divisional commanders given the flexibility to engage with local people in their areas and shape local priorities. Expenditure is scrutinised by senior officers and members. Financial monitoring information for members and officers gives a clear identification of variances. Action plans bring spending back into line with the budget while delivering planned objectives and not impacting on other areas. The Authority and Force provide alternative formats of information to the community and have received positive feedback about this.

Governing the business

21 The Policing Plan sets out a clear vision and understanding of local policing priorities. The Plan shows a good understanding of diverse communities and targeted responses through neighbourhood policing are delivering benefits. Strong examples of working with partners are helping deliver improved outcomes locally. There is a clear link between commissioning and procurement and wider policing priorities. There are improvements in vfm from both strategic and low cost procurement.

22 Robust processes to oversee data quality integrate with business planning and management processes. A comprehensive and well resourced data quality audit programme has been in place for several years and is improving data quality. Information Management Strategy, Data Sharing Policies and a Disclosure Policy are in place. The Disclosure Policy was recognised as good practice and adopted as the national template in the Management of Police Information (MOPI) framework. The National Policing Improvement Agency assessed the Force as 90 per cent compliant with MOPI and the Force's own more recent assessment shows 97 per cent compliance. The Force is working towards full compliance with the Code of Connection (CoCo) for the Police National Database by late December 2010. Programmed encryption developments plan to achieve full encryption of the wide area network by the end of October 2010 together with the ability to encrypt all moveable electronic data.

23 The Authority and Force use performance data as part of routine performance monitoring arrangements to focus attention on under-performing service areas. The Police Authority receives quarterly information about performance against priorities via the performance bulletin. Action plans are integral to performance management and officers attend scrutiny committees to provide explanations for under-performance. This focus on under performance is helping to drive up service performance and value for money in key priority areas.

24 The Authority promotes the ethical agenda and has developed a joint assurance framework with the Force. A joint working group ensures compliance with the principles of good governance and oversee any developments. Members receive comprehensive training when they join the Authority including ethics training. The Police Authority and Force are clear about their joint goals and ambitions. Clear examples are available of them working together to achieve priorities.

25 Effective arrangements are in place to identify and manage risks across the organisation and corporately, including clear ownership of risk at all levels across the Force and the Authority. Anti fraud and corruption has a high priority. In 2009/10 partnership risk management arrangements were strengthened and a risk matrix produced for the Force's operational partnerships. There is a clear focus on managing performance and using risk management to help deliver required outcomes. Business continuity and emergency planning arrangements are effective.

Managing Resources

26 The Authority has a well established approach for reducing the environmental impact of its activities. It has received awards for its environmental efficiency work. Environmental impact audits identify the main causes of Co2 emissions. It has benchmarked energy efficiency with other Forces since 2006. Comprehensive energy and water use databases are in place. These identify the best and worst energy efficient buildings and the information used to target initiatives and inform disposal plans. Improvements include Lancashire's ranking for energy efficiency – Lancashire was ranked 23/43 forces in 2007 compared to 3/43 now. Water consumption is measured and benchmarked against best practice. It has achieved ISO 14001:2004 EMS accreditation. Since 2007, Co2 vehicle fleet emissions have fallen from 249g/km to 227g/km. It has introduced diesel cars across the board and has at least 5 per cent biodiesel content. Environmental sustainability awareness is strong across the organisation.

Approach to local value for money work from 2010/11

27 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 local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

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

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

29 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 report to those charged with governance and in my annual audit letter.

Current and future challenges

Current challenges

30 Like all authorities, Lancashire Police Authority faces significant financial pressures. The full extent of necessary spending cuts resulting from the Autumn 2010 Spending Review and allocation of revenue grant funding for 2011/12 and beyond needs to be assessed. The Authority needs to ensure that financial planning continues to identify and address any predicted shortfalls in funding. The Authority has sound financial arrangements in place that effectively support the delivery of strategic objectives. It is in good financial health and has a track record of managing spending within budgets.

Future developments

31 As set out earlier in this report, 2010/11 will see the implementation of international financial reporting standards to local government accounts. This will require planning to ensure the required information is available to enable an efficient transition to the new financial reporting requirements. The audit team continue to liaise with key finance staff on the key changes required and the plans in place to address them. Any good practice or other sources of advice will be shared as they become available.

Closing remarks

32 I have discussed and agreed this letter with the Chief Executive and the Treasurer. I will present this letter at the Audit and Standards Committee on 22 November 2010 and will provide copies to all authority members.

33 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Authority during the year.

Report	Date issued
Opinion Audit Plan	March 2010
Annual Governance Report	September 2010

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

Clive Portman

District Auditor

November 2010

Appendix 1 – Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement (including Whole of Government Accounts)	52680	52680	0
Value for money	28000	28000	0
Total audit fees	80680	80680	0
Non-audit work	0	0	0
Total	80680	80680	0

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
- for local probation boards and trusts, on the regularity of their spending and income.

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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