

Annual Audit Letter

Lancashire Police Authority

Audit 2007/08

November 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 The Authority is performing strongly as demonstrated by the overall score of 4 on the Police Use of Resources Evaluation (PURE). This is the continuation of previous good performance, with improvements in scores for 5 criteria. Our report, issued in September 2008, set out some recommendations for areas where there was scope to continue to improve.
- 2 The Authority received a score of 3 for the Internal Control element of the PURE assessment. There was one sub criteria within Internal Control in relation to the assurance framework where the Authority scored a 2 (adequate performance). The Authority is in the process of developing an improved assurance framework but this was not fully in place at the time of our assessment - see recommendation 3 below.
- 3 The arrangements for the production of the Authority's financial statements are good and I issued an unqualified opinion on the financial statements on 23 September 2008. We identified only minor disclosure errors within the accounts, which were amended. We reported two qualitative issues in our Annual Governance Report, see recommendations 1 and 2 below.
- 4 I am required to conclude whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion. I concluded that the Authority did have proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources and I issued an unqualified VFM conclusion on 23 September 2008.

Recommendations

Recommendations	
R1	Ensure the Annual Governance Statement includes clearer reference to the Authority's role in partnership working and information on the governance arrangements in place.
R2	Review the system in place to obtain related party declarations from members and senior officers, to ensure it operates effectively and that all related party transaction declarations are completed and returned prior to the approval of the accounts.
R3	Ensure the Assurance Framework includes ongoing monitoring and reporting throughout the year on the risks and controls in place relating to the achievement of corporate objectives and priorities.

Purpose, responsibilities and scope

- 5 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 Constabulary as well as the Authority.
- 6 I have addressed this letter to members of the Authority 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.
- 7 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. In addition the Authority is planning to publish it on its website.
- 8 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.
- 9 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).
- 10 We have listed the reports issued to the Authority relating to the 2007/08 audit at the end of this letter.

Audit of the accounts

- 11 I issued an unqualified opinion on the Authority's accounts on 23 September 2008.
- 12 Before giving my opinion I reported to the Audit and Standards Committee on the issues arising from the 2007/08 audit.
- 13 The arrangements for the production of the financial statements are good and the statements were submitted for audit by the deadline of 30 June 2008. We identified only minor disclosure errors within the accounts which were amended. Working papers were of a good standard and queries were addressed by officers on a timely basis.
- 14 We reported two qualitative issues in relation to the financial statements in our Annual Governance report.

Table 1 Financial Statements Qualitative Issues

Issue or Risk	Finding
Annual Governance Statement	The AGS is comprehensive and complies in most respects with CIPFA guidance. There is scope to set out more clearly the role of the Authority in terms of partnership working and the governance arrangements in place.
Related Party Transactions	At the time of our audit there were four year end declarations from members which had not been completed and returned. These have since been received. If returns are not completed before the approval of the accounts there is a risk that the related party note included in the financial statements is incomplete or inaccurate.

Whole of Government accounts

- 15 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 and report on the pack.
- 16 I did not identify any instances where the pack was inconsistent with the audited accounts and issued an unqualified opinion on the Whole of Government accounts consolidation pack.

Use of resources

17 I am required to:

- conclude whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion; and
- assess how well the Authority and Constabulary manage and use financial resources by providing scored judgements on the arrangements on five specific themes. This is known as the Police Use of Resources Evaluation (PURE).

Value for Money conclusion

18 I have concluded that the Authority did have proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Review of police data quality

- 19 As part of our work on the value for money conclusion, we carried out a review of police data quality. We considered whether the Authority has proper arrangements in place to secure the quality of key performance data, following up our detailed work in previous years.
- 20 In 2006/07 the Authority received a good rating for management arrangements and excellent rating for data testing. In line with guidance we undertook a proportionate and high level review of management arrangements, focusing on key areas of change since the last DQ review and following up action against recommendations made. We made one recommendation in 2006/07 in relation to formalising individual data quality policies into an overarching corporate data quality strategy. This had been implemented in 2007/08 and our work did not identify any further recommendations.

Police Use of Resources scores

21 I assessed the Authority's arrangements on five themes and scored each theme from 1 to 4 (1 = inadequate performance, 2 = adequate performance, 3 = performing well and 4 = performing strongly). A detailed report supporting the assessment and highlighting areas for improvement was issued to the Authority in September 2008.

Table 2 Police Use of Resources scores

Theme	Assessment
Financial reporting	3 out of 4
Financial management	4 out of 4
Financial standing	4 out of 4
Internal control	3 out of 4
Value for money	4 out of 4
Overall assessment of the Audit Commission	4 out of 4

(Note: 1 = lowest, 4 = highest)

- 22 The Authority has shown a positive direction of travel as identified by the improvements in 5 of the 11 Key Lines of Enquiry (KLOE) criteria. Good practice is particularly strong in financial management, financial standing and value for money. A range of notable practice was identified as part of our review. These are set out in detail in our report and are summarised below.
- The approach taken to identifying and bridging the funding gap identified through 'Blueprint'.
 - A clear understanding of financial management principles across the organisation.
 - Effective quarterly performance reviews ensuring that financial and operational performance are considered jointly.
 - Introduction of an effective environmental strategy leading to reduced energy costs and CO2 emissions.
 - The achievement of effective partnership solutions enabling the recruitment of additional police support officers and the establishment of neighbourhood policing bases in shared premises.
 - The effective application of business re-engineering through QUEST to achieve greater efficiency savings.
- 23 There are some areas where there is scope for improvement. The recommendations we identified are set out in the PURE report we issued in September 2008. The majority of these are in the context of an overall high performance and are designed to assist with the achievement of continuous improvement.
- 24 There is one area where the Authority received a level 2 assessment in relation to systems of internal control. The Authority is in the process of developing an improved assurance framework but this was not in place at the time of our assessment. The framework needs to include ongoing monitoring and reporting throughout the year on the risks and controls in place relating to the achievement of corporate objectives and priorities.

National Fraud Initiative

- 25 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. The referrals from the current exercise were released to participating bodies in January 2007.
- 26 Internal Audit evaluated the results of the data matching exercise and followed up cases where appropriate. Internal Audit did not identify any significant issues from the exercise.

Closing remarks

- 27 We have discussed and agreed this letter with the Treasurer and the Chief Executive to the Authority. We will present the letter at the Audit & Standards Committee 17 November 2008 and we will provide copies to all Authority members.
- 28 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 3 Reports issued

Report	Date of issue
Audit plan	March 2007
Report to those charged with governance	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	November 2008
Use of resources	September 2008
Annual audit letter	November 2008

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- 29 The Authority and Constabulary has taken a positive and constructive approach to our audit and data quality work. I wish to thank officers for their support and cooperation during the audit.

Clive Portman
District Auditor
November 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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