

Annual Audit Letter

November 2007



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Lancashire Police Authority

Audit 2006/07

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Summary

Key messages

- 1 Lancashire Police Authority has made significant progress during 2006/07 both in terms of operational and management developments. The Authority has secured improvements in its Value for Money score under our Police Use of Resources (PURE) assessment, and maintained its performance across the other four areas of our assessment.
- 2 Arrangements for securing good quality data are well established in both the Authority and the Force and our view is that these arrangements are being applied in a robust and effective manner. Our testing confirms that reported key performance indicators are accurate and therefore strategic and management decisions are informed by timely, relevant and accurate information.
- 3 The 2006/07 Accounts were prepared to a good standard and supported by appropriate evidence. We issued an unqualified opinion on the accounts and an unqualified Value for Money Conclusion at the end of September 2007.
- 4 Looking to the future there are a number of significant challenges facing the Authority and Force including:
 - greater engagement with the people served by Lancashire Police Authority on a proactive, deliberative basis that informs both strategic and policy decisions as well as reflecting on performance;
 - the development of a systematic, real-time performance management process at the Authority to prompt and inform appropriate and effective action to maintain and further improve current performance; and
 - implementation of robust risk management arrangements at the Police Authority to separately identify and mitigate risks that are pertinent specifically to the Authority (as opposed to the Force which form part of the Force's risk management arrangements).
- 5 The Authority has recognised these issues and has started to take action to build capacity to ensure that they can be addressed in a robust and effective manner. However, it is essential that this capacity is established without further adding to the cost base of the Authority and without disrupting current performance during the period of change that will inevitably accompany this re-organisation.

- 6 In addition the Authority has also recognised that the Audit Commission's assessment framework will change further in the medium term with the development of the Comprehensive Area Assessment (CAA) process from April 2009 onwards. Action is needed to understand and address the new challenges that this will bring for the Authority whilst at the same time recognising that the new process is a joint assessment framework for local services and the key differences compared to the current Comprehensive Performance Assessment (CPA) process are that CAA is:
- area and not institutionally based and will focus on outcomes as opposed to arrangements or processes. Therefore, the outcome from the CAA will be a genuine joint assessment as opposed to an assembly of individual assessments;
 - forward looking with greater attention to local priorities. The outcome will be a 'risk assessment' of whether those priorities are likely to be delivered as well as whether they will be delivered in a way that adds value and achieves value for money; and
 - designed to place greater attention on local priorities including health and well-being, community safety, sustainable communities, economic development, housing strategy and children's services.
- 7 Therefore, it is clear that the emphasis will become even more focussed on partnership and joint working to drive forward the agenda and deliver real improvements in local services. The arrangements in place around data quality, efficient and effective use of resources and the plans in place to build and enhance capacity all mean that the Police Authority is well placed to take forward this agenda. Nevertheless, it is important that the Police Authority defines and clearly articulates clearly its role in these partnership arrangements in order to identify and communicate how it can participate and aid the delivery of agreed local priorities.

Recommendations

- 8 We have made practical recommendations to achieve further improvements to existing arrangements in the detailed reports that underpin this letter (see paragraph 33). It is incumbent upon Members of the Authority to ensure that these recommendations are taken forward efficiently and effectively to address and mitigate the issues that we identified during the course of our work. Therefore, Members of the Authority should take action to ensure that:

Recommendations
<i>R1 The Police Authority defines and clearly articulates its role in partnership arrangements in order to identify and communicate how it can participate and aid the delivery of agreed local priorities.</i>
<i>R2 Current levels of performance are at least maintained during the period of change that will accompany the proposed re-organisation of the Authority.</i>
<i>R3 Further assurance is provided around inputting of user satisfaction data by including completed user satisfaction surveys from SMSR in sample testing.</i>
<i>R4 Improvements are achieved in the governance and financial monitoring and reporting arrangements in respect of key partnerships.</i>
<i>R5 Risk management arrangements at the Authority are further strengthened to identify and address risks that are pertinent to the Authority as well as the Force.</i>
<i>R6 A robust self-assessment is undertaken to support the Police Use of Resources judgements.</i>
<i>R7 Internal Audit take forward the issues for improvement identified in our review.</i>

Purpose, responsibilities and scope

- 9 This 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 2007. Where relevant this work has included assessment of the arrangements in place in the police force, as well as the Authority.
- 10 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.
- 11 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 at www.lancspa.gov.uk.
- 12 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).
- 13 We have listed the reports issued to the Authority relating to the 2006/07 audit at the end of this letter.

Use of resources

- 14 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 Force manage and use financial resources by providing scored judgements on the arrangements in five specific areas. This is known as the Police Use of Resources Evaluation (PURE).

Value for money conclusion

- 15 I have concluded that the Authority did have proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources and therefore an unqualified Value for Money conclusion was issued.

Review of police data quality

- 16 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, and whether these arrangements are being applied in practice. A detailed report supporting the assessment and highlighting areas for improvement was issued to the Authority in June 2007. This report was also shared with the Home Office.
- 17 Our overall conclusion is that the Authority and Force have good corporate arrangements in place for data quality. Systems and processes support the corporate commitment to quality data and effective use is made of performance information. The implementation of the Information Strategy, which is currently being developed, will further enhance arrangements and provide an explicit set of corporate data quality objectives. All Statutory Performance Indicators (SPIs) reviewed were found to be fairly stated. Therefore, the Force has maintained an 'excellent' rating for crime data testing and a 'good' rating for user satisfaction data.
- 18 The Police Authority contribution to data quality remains excellent and there are effective arrangements in place to enable the Authority to actively scrutinise and challenge data. This provides the Authority with significant assurance around the accuracy and robustness of reported performance information.
- 19 Our work focussed on three key areas summarised in the table overleaf:

Table 1 Data quality

The Authority has maintained or improved its performance in all areas assessed.

Issue	Assessment	Direction of travel	Comments
Arrangements for data quality	Good	Improved	There has been an improvement in the management arrangements for crime and incident data. The implementation of corporate data quality objectives will further enhance arrangements. Strong leadership has driven data quality throughout the Force and Authority. The corporate commitment to data quality is implicit within corporate plans and the performance management framework. Staff are clear regarding their responsibilities to ensure good quality data and this has resulted in improvements in arrangements for data quality over a number of years.
The Police Authority role	Excellent	Stable	The Police Authority scrutinise and challenge data quality throughout the Force. There are Lead Members who are skilled in the analysis of performance information and make use of iQuanta data to challenge the Force. There is Member representation on the Force ABC steering group and the Authority are involved in the development of new systems and arrangements, for example, Crime2. This enables the Authority to play a key strategic role in challenging performance and driving improvement.
Results of data testing. <ul style="list-style-type: none"> • Crime data. • User satisfaction data. 	Excellent Good	Stable Stable	Crime data testing was undertaken to assess the accuracy of three key performance indicators for violent crime, gun-related/life threatening crime and acquisitive crime in respect of reclassifications and no-criming decisions. The overall assessment was excellent and the Force maintained its high NCRS compliance this year. User satisfaction testing focused on the sample selection, the survey process and the accuracy of data recording for violent crimes, racist incidents and antisocial behaviour surveys. The overall assessment for user satisfaction data is good. All areas tested were excellent apart from exclusions from the survey process and data input which were assessed as poor. The key action for improvement is to include a sample review of completed user satisfaction surveys from SMSR to provide assurance of accurate data inputting.

Audit Commission Police Data Quality Report June 2007

Police use of resources scores

- 20 I assessed the Authority's arrangements in five areas and scored each area 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 November 2007.

Table 2 Police use of resources scores

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

(Note: 1=lowest, 4=highest)

- 21 The score for the Value for Money criteria has improved from a '3' in 2005/06 to a '4' in 2006/07. Performance against the other four criteria has been maintained in terms of the overall scores. But as the assessment criteria has been revised and more challenging targets introduced in 2006/07 maintaining previous years performance represents improvement in real terms.
- 22 The improvement in the value for money score reflects the extent to which action is being taken to secure and improve value for money is becoming embedded within both the Force and Authority. Such action now forms part of the day-to-day routine of both officers and members as opposed to being 'special' or one-off projects. We identified specific notable practice in respect of the value for money judgements including:
- the Blueprint programme initiated in 2003;
 - identification of improvements in service delivery from the capital programme through an evaluation of demonstrable benefit to the Force's core objectives; and
 - a comprehensive suite of information products that are accessible through the performance intranet site and present information in user friendly reports at different time intervals, for example, quarterly, daily, weekly. monthly reports from TORA and PROBE.

- 23 The key issues facing the Authority and Force include:
- further developing and improving both governance and financial monitoring and reporting arrangements in respect of key partnerships. In particular ensuring that the financial risks of such partnerships are incorporated into financial planning mechanisms and that governance arrangements are formalised and documented in order to ensure probity and propriety;
 - the development of risk management arrangements at the Authority to identify and address (where appropriate) risks that are pertinent to the Authority as well as the Force; and
 - undertaking a robust self-assessment of current performance and arrangements against the Key Lines of Enquiry (KLoEs) that make up the Use of Resources assessment in order to realistically assess performance and arrangements and to identify the breadth and depth of evidence required to support assertions made against each of the KLoEs. It would be appropriate for Members to be involved in this exercise.

National Fraud Initiative

- 24 The National Fraud Initiative (NFI) is a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007.
- 25 Work on the NFI data matches has been completed by Internal Audit and there were only three cases of significance. Of these one was a fraud relating to a pension payment and the amount involved (£5,700) has been recovered. The other two matches identified data quality issues that are being addressed by the payroll section but do not involve fraud.

Specific risk-based work

- 26 We also carried out a specific risk-based review of Internal Audit. Internal Audit at Lancashire Police Authority is provided by Lancashire Audit Service, the Internal Auditors for the County Council. Our overall conclusion is that Internal Audit meets the requirements of the CiPFA Code of Practice and provides an effective service to management at the Authority. Internal Audit has continued to strengthen its overall arrangements since our last review and we identified numerous examples of good practice including:
- raising the awareness of a 'risk management' approach across the Authority;
 - strong awareness of ethical responsibilities by staff; and
 - robust reporting arrangements are in place.

- 27 There are a small number of areas where there is some scope to further strengthen current arrangements around audit documentation:
- the development and implementation of a retention policy for audit documentation; and
 - introduction of a system for controlling access to audit documentation, in particular information released to third parties.

Audit of the accounts

- 28 I issued an unqualified opinion on the Authority's accounts on 26 September 2007. Due to the receipt of late guidance setting out the accounting treatment of the Home Office Grant in respect of the pensions fund deficit the Authority omitted to include income £11.574m in its draft accounts as submitted for audit which meant that the year-end deficit was overstated by the same amount. The Authority corrected its financial statements during the course of our audit to appropriately reflect the guidance.
- 29 Before giving my opinion, I reported to the Audit and Standards Committee of the Police Authority as 'those charged with governance' on the issues arising from the 2006/07 audit including the changes noted previously regarding the receipt of late guidance.

Whole of government accounts

- 30 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 the Department of Communities and Local Government and the auditor is required to undertake a range of procedures and report on the pack.
- 31 I reported that the consolidation pack for Lancashire Police Authority was consistent with the audited financial statements for 2006/07 on 1 October 2007. There were no significant issues arising from the audit of this pack.

Closing remarks

- 32 We have discussed and agreed this letter with the Chief Executive and Treasurer. We will present the letter at the Audit Committee and Standards Committee on 26 November 2007 and we will provide copies to all Authority members.
- 33 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Authority during the year.

Table 3 Reports issued

Report	Date of issue
Audit plan	March 2006
Review of police data quality	June 2007
Interim audit review	July 2007
Report to those charged with governance	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Final accounts memorandum	October 2007
Use of resources	October 2007
Annual audit letter	November 2007

- 34 The Authority and Force has taken a positive and constructive approach to our audit and data quality work, and I wish to thank officers for their support and co-operation during the audit.

Michael Thomas
District Auditor

November 2007