

Audit Summary Report

February 2008



# Annual Audit Letter

**Warwickshire Police Authority**

**Audit 2006/07**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explain the respective responsibilities of auditors and of the audited body. Appointed auditors address their reports to non-executive directors or officers and for the sole use of the audited body. Auditors accept no responsibility to:

- any directors in their individual capacity; or
- any third party.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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## Purpose, responsibilities and scope

- 1 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.
- 2 We 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. We have made recommendations to assist the Authority in meeting its responsibilities.
- 3 This letter also communicates the significant issues to key external stakeholders, including members of the public. This letter will be published on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). (In addition the Authority is planning to publish it on its website).
- 4 As your appointed auditors we are 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, we are 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).
- 5 We have listed the reports issued to the Authority relating to the 2006/07 audit at the end of this letter.

# Summary

## Key messages

- 6 2006/07 has been a challenging year for the Police Authority with the appointment of new Chief Constable and the once anticipated merger into a West Midlands Regional Force being brought to a halt. This prompted a strategic review intended to place the Force on an 'affordable, acceptable and sustainable' footing to begin the 2008/09 financial year. Led by the recently appointed Chief Constable the '150 Forward' programme was initiated. This significantly challenged mid to long term organisational and financial planning and some intended activities have been deferred while a root and branch reorganisation of the Force is planned. These plans focus heavily upon maximising value for money but the investment made in developing them has understandably had an unavoidable impact upon the ability to deliver short term improvements.
- 7 A new governance structure was introduced in 2007 and understandably this is still in the process of being embedded whilst seeking to maintain high standards of financial management and internal control.
- 8 We gave an unqualified opinion on the statement of accounts on 11 October 2007.
- 9 We concluded that the Authority had adequate arrangements in place to deliver value for money.
- 10 The use of resources judgements revealed some areas for improvement and these are summarised in this letter.

## Audit of the accounts

- 11 We issued an unqualified opinion on the Authority's accounts on the 11 October 2007. The quality of supporting working papers had improved; however, supporting working papers were incomplete resulting in significant increase in audit time and additional requests for audit information and evidence.
- 12 The main issues related to timelines of the accounts, not responding promptly to auditor's questions, the completion of a new Statement of Total gains and losses, capital accounting, compliance with the SORP, the process for ensuring regular reconciliations of the bank account and the arrangements for compilation of the Statement on Internal Control. We worked with officers to agree any necessary amendments to the statement of accounts before issuing our audit certificate on 11 October. We issued a final accounts report to management incorporating recommendations aimed at improving the final accounts process for future years. We also emphasise that the authority need to improve processes to provide timely and good quality working papers.
- 13 Before giving the opinion, we reported to the Audit Panel committee acting as 'those charged with governance' on the issues arising from the 2006/07 audit.

## Whole of government accounts

- 14 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 DCLG and the auditor is required to undertake a range of procedures and report on the pack.

Audited consolidation packs could not be submitted by the 1 October 2007 as a late opinion was issued but were sent on 11 October 2007.

## Use of resources

- 15 We are 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

- 16 We are required to issue a conclusion on whether I am satisfied that 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.
- 17 We concluded that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources and therefore an unqualified VFM conclusion was issued.

## Review of police data quality

- 18 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 on June 2007. This report was also shared with the Home Office.
- 19 The Authority and Force continue to have good corporate arrangements in place for securing the quality of the data. Crime recording data continues to be good. User satisfaction data has been assessed for the first time this year and was found to be excellent. All statutory performance indicators are complete, accurate and fairly stated.
- 20 As a small Force resources are a key issue for Warwickshire. Regular monitoring takes place to assess whether resource levels are adequate to ensure compliance. This pro-active approach has meant that timely action can be taken where problems are identified. However, the level of resources remains a risk to ensuring the maintenance of high standards of data quality in the future.

## Police use of resources scores

- 21 We 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 on November 2007.

**Table 1 Police use of resources scores**

Element	Assessment
Financial reporting	1 out of 4
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>2 out of 4</b>

(Note: 1=lowest, 4=highest)

- 22 The scored judgements are linked to our responsibilities under the Code and whilst no issues were identified to impact on the unqualified VFM conclusion, we did identify some areas for improvement that the Authority is now responding to:
- the need to engage in the assurance framework required to support the Annual Governance Statement (formerly Statement of Internal Control (SIC));
  - the authority should continue to embed risk management, ensuring that registers are regularly reviewed;
  - the authority needs to be more proactive in raising the standards of ethical conduct amongst authority members and staff, including the provision of ethics training;
  - a gifts and hospitality register should be maintained for members;
  - in 2006/07 the Financial Reporting theme was assessed as being below the minimum requirements. We issued a report to management incorporating recommendations aimed at improving the position for future years and emphasise that this is an area that the authority focus on. We are keen to work with the authority to work to an earlier programme to ensure delivery of a timely opinion in 2007/08;

- the development of the medium term financial strategy and subsequent annual budgets shows clear evidence of member involvement, particularly through budget seminars. This has included discussions over the levels of reserves and balances and the need to create a sustainable force going forward; and
- the revised committee structure has been lead by a desire from members to ensure compliance with best practice in terms of governance structures and practices. The need to embed these structures will be key in improving the overall use of resources score for the authority.

## National Fraud Initiative

- 23** The National Fraud Initiative 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.

The Authority took part in the Audit Commission's National Fraud Initiative (NFI). The NFI, which is undertaken every two years, brings together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector.

## Closing remarks

- 24 This letter has been discussed and agreed with the Clerk and Treasurer to the Authority. A copy of the letter will be presented at the Police Audit Committee in the New Year and copies will be provided to all Authority members.
- 25 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.

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**Table 2      Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit plan	March 2006
Review of police data quality	June 2007
Report to those charged with governance	November 2007
Opinion on financial statements	October 2007
Value for money conclusion	October 2007
Final accounts memorandum	November 2007
Use of resources	February 2008
Annual audit letter	February 2008

- 26 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 cooperation during the audit.

**David Rigg**  
**District Auditor**

February 2008