

# Annual Audit Letter

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Warwickshire Police Authority

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Audit 2008/09

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November 2009

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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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# Key messages

**This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.**

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## Audit Opinion

- 1 We completed the audit of your accounts in time to meet the required deadline. Though we identified some areas for improvement we were able to issue an unqualified audit opinion on the 29 of September 2009.
  - 2 Before giving our opinion we submitted our findings in the Annual Governance Report which we reported to the Audit Committee on the 14 September 2009. This report contained some recommendations for improvements which we had agreed with officers and were approved at that meeting.
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## Financial Statements

- 3 We acknowledge that this has been a challenging year for the finance team, dealing with major structural changes as a result of 150 forward and a significant change in the team putting together the financial statements.
  - 4 During the audit we identified two errors in the original statement of accounts. The first is in relation to the sale of GEM House, and the second was in relation to the cash flow statement.
  - 5 Testing identified that the proceeds from the sale of GEM house was originally included as a debtor balance. We agreed with officers that this was incorrect and that the accounts originally presented for approval had debtors overstated and cash understated by £1.5m.
  - 6 Initial testing of the cash flow statement identified that there were problems with the methodology for compiling the statement. Officers reviewed the statement and a revised one was submitted for audit.
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## Value for money

- 7 We issued an unqualified conclusion on the 29 September, stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.
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**Table 1      Audit fees**

	<b>Actual</b>	<b>Proposed</b>	<b>Variance</b>
Financial statements and annual governance statement	£62,451	£59,493	£2,958
Value for money	£19,007	£19,007	0
<b>Total audit fees</b>	<b>£81,458</b>	<b>£78,500</b>	<b>£2,958</b>

**Actions**

- 8 During the course of the audit we have submitted reports containing recommendations which have been agreed with officers and submitted to the Audit Committee for their attention and follow up.

**Independence**

- 9 We can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

# Financial statements and annual governance statement

**The Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.**

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## Significant issues arising from the audit

- 10** Two significant issues arose during the audit which we are required to report. These should be viewed in the context of the challenging year faced by the finance team. The detail of these issues was presented in our Annual Governance Report and are summarised below.
  - 11** We agreed with officers that the accounting treatment of the sale of GEM house was incorrect. The accounts presented for approval had debtors overstated and cash understated by £1.5m. The total assets figure was not affected by this error.
  - 12** The cash flow statement presented for audit contained a number of material errors. This required two revisions prior to the opinion. The final statement had ten revisions from the original approved by members, of which four were material.
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## Material weaknesses in internal control

- 13** Auditing Standards requires us to document the material systems used by the authority. In documenting the debtors system we identified five key controls against the assertions for the balance sheet. We then tested these controls and found that that two key controls were not operating as intended.
  - 14** We worked with officers to gain assurance on the system in order to give our opinion on the accounts. However we agreed that in future the authority should review the controls in operation over the debtors system in order to gain assurance that they are operating as intended.
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## Accounting Practice and financial reporting

- 15** We considered the qualitative aspects of your financial reporting and wish to report the following issue.
  - 16** The accounts presented for audit contained a number of presentational and consistency errors. Examples of these include errors in additions within tables, words missing from sentences, duplication of paragraphs, and inconsistencies in page numbers. While none of these errors are material to the accounts, the volume of them has resulted in additional queries being raised and indicates a lack of efficient proof reading.
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- 17 This issue was reported last year. While some improvement has been made, (particularly the consistency between the main statements and the supporting notes) this is still an area for attention next year. We have therefore recommended to the Audit Committee and agreed with officers that next year the statements should be proof read prior to their presentation to those charged with governance

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# Value for money

We considered how well the Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

We also assessed whether the Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

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## Use of resources judgements

- 18** In forming the scored use of resources judgements, we have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 19** We have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 20** The Authority's use of resources theme scores are shown in Table 2. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 5.

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**Table 2** Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	2

- 21** This is the first use of resources assessment carried out to fit with Comprehensive Area Assessment. It is recognised that this is a harder test than previously, with a much greater focus on the need to demonstrate tangible outcomes for the public in order to score a level 3 or above. Warwickshire Police Authority has maintained its score of an overall level 3. This is a clear improvement from last year as the Audit Commission raised the standards expected to achieve a level 3 as part of the new assessment process.

- 22** Overall the assessment highlighted good evidence of outcomes for local people; most notably that reported crime levels are now the lowest for six years, with Warwickshire seen the largest fall in violent crime during 2008/09. In addition members and officers have demonstrated a good understanding of the service and what needs to be done to achieve the desired outcomes.

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**VFM Conclusion**

- 23** We assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. The conclusions on each of the areas are set out in Appendix 1.
- 24** We issued an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

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# Closing remarks

- 25** We have discussed and agreed this letter with the Treasurer and the Director of Resources. We will present this letter at the Audit Committee on 2 December 2009.
- 26** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Authority during the year.

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**Table 3**

<b>Report</b>	<b>Date issued</b>
Audit Plan	April 2008
Audit Opinion Plan	April 2009
Annual Governance Report	September 2009
Use of Resources Report	November 2009
Annual Audit Letter	November 2009

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- 27** The Authority has taken a positive and constructive approach to our audit. We wish to thank the officers and members for their support and co-operation during the audit.

Dave Rigg  
District Auditor  
November 2009

# Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

## Managing finances

<p><b>Theme score 3</b></p>	<p><b>Key findings and conclusions</b></p> <p>Financial planning is an integrated process; this is achieved through the strategic planning workshops attended by a range of officers and members. The police authority has performed within its budget and levels of balances have been maintained within the range determined by its policies. The sustainability strategy in place for 2009/10 demonstrates a robust approach to managing the budget gap. The force can demonstrate numerous outcomes following their re-organisation and re-aligning of resources, most notably the expansion of the major investigation unit and the impact this unit has had on performance. As a result of the re-aligning of resources to priorities and the setting up of a number of dedicated units the police force have seen some impressive results. Reported crime levels are now the lowest for six years. Compared to others Warwickshire have seen the largest fall in violent crime during 2008/09. The total recorded crimes has fallen from 45,243 to 37,476 in just two years. This represents 17.4 per cent or almost 1/6 fewer victims of crime. The force review of its collaboration in the central motorway policing group shows that it understands its costs and their relationship with performance and that it is then able to make significant decisions with some clarity and certainty. The outcome of this was to increase Warwickshire's own road policing unit, which has led to a significant drop in road deaths and serious injury. Financial reporting is considered adequate, with both in year and end of year reports considered accurate and accessible</p>
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## Appendix 1 – Use of resources key findings and conclusions

<b>KLOE 1.1 (financial planning)</b>		
<b>Score</b>	<b>3</b>	
<b>VFM criterion met</b>	<b>Yes</b>	
<b>KLOE 1.2 (understanding costs and achieving efficiencies)</b>		
<b>Score</b>	<b>3</b>	
<b>VFM criterion met</b>	<b>Yes</b>	
<b>KLOE 1.3 (financial reporting)</b>		
<b>Score</b>	<b>2</b>	
<b>VFM criterion met</b>	<b>Yes</b>	

## Governing the business

<b>Theme score</b>	<b>3</b>
<b>Key findings and conclusions</b>	
<p>Risk management continues to develop across the force and authority with members and officers actively engaged in reviewing the risk registers. Appropriate training has been provided for those with responsibility for risk management.</p> <p>Adequate arrangements exist for counter fraud and corruption, similarly for the system of internal control. The annual governance statement is an open and honest self assessment of the performance of the police authority and force across all activities. It contains a clear statement of the actions being taken/required to address areas of concern. Some good examples of outcomes on risk management, particularly delivery of innovative projects, confidence in the rigour of the Annual Governance Statement (AGS), delivery of change management and organisational change. The authority has good arrangements in place to produce its AGS</p>	

**Appendix 1 – Use of resources key findings and conclusions**

<p><b>KLOE 2.1 (commissioning and procurement)</b></p> <p>Score</p> <p>VFM criterion met</p>	<p><b>2</b></p> <p><b>Yes</b></p>
<p><b>KLOE 2.2 (data quality and use of information)</b></p> <p>Score</p> <p>VFM criterion met</p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p><b>KLOE 2.3 (good governance)</b></p> <p>Score</p> <p>VFM criterion met</p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p><b>KLOE 2.4 (risk management and internal control)</b></p> <p>Score</p> <p>VFM criterion met</p>	<p><b>2</b></p> <p><b>Yes</b></p>

## Appendix 1 – Use of resources key findings and conclusions

<b>Managing resources</b>	
<b>Theme score</b>	<b>2</b>
<b>Key findings and conclusions</b>	
<p>Several HMIC reports note that generally the Force has a well trained and appropriately skilled workforce although it does identify areas for improvement. The Force is in the process of developing a medium to long term staff plan, linked to training and development needs. This will be overseen by senior managers in HR and the Force performance team. The force has some good examples of outcomes from the establishment management group, including the handling of 100 additional officers into front line duties to support the vision, while maintaining a freeze on recruitment etc to ensure these additional posts were effectively managed out. The 150 forward and further <i>work force development</i> projects show that the force is in the process of realigning its workforce to meet its new policing plan but there is still a considerable amount of work to be done to ensure that workforce management processes and these operational initiatives are fully aligned. The force has projects in place aimed at delivering this but these are very recent initiatives and need time to realise the benefits. The force has undergone a series of major shifts in the delivery of policing (150forward; Right Service, First Time;) and throughout all these the force has taken steps to ensure that the workforce has been kept informed of the plans, the reasons for them and progress being made. Training has been designed and delivered to enable the workforce to adjust to new ways of working and new approaches to service delivery</p>	
<b>KLOE 3.3 (workforce planning)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>

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# 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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