

Annual Audit Letter

November 2007



# Annual Audit Letter

**Leicestershire 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 explains 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**

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# Summary

## Key messages

- 1 The Authority has proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources.
- 2 I have scored the Authority and Force at level three (performing well) in my annual assessment of its use of resources, although there remains scope to further strengthen internal controls. In particular, strengthening the role of the Audit Committee and members' involvement in risk management.
- 3 Good corporate arrangements are evident for securing the quality of data. Crime recording data has improved and levels of compliance with the National Crime Recording Standard are excellent.
- 4 The Authority and Force continue to perform well in the preparation and publication of its annual financial statements and I issued an unqualified opinion on the 2006/07 accounts on 27 September 2007.

## Recommendations

<b><i>Recommendations</i></b>
<i>R1 Continue to develop the role of the audit committee and other member groups to maintain effective scrutiny and challenge to officers of the police authority and force.</i>
<i>R2 Continue to develop and embed the role of members in strategic risk management.</i>

## Purpose, responsibilities and scope

- 5 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.
- 6 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.
- 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](http://www.audit-commission.gov.uk). In addition the Authority is planning to publish it on its website.
- 8 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).
- 9 We have listed the reports issued to the Authority relating to the 2006/07 audit at the end of this letter.

## Use of resources

- 10 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

- 11 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

- 12 As part of my work on the value for money conclusion, I carried out a review of police data quality. I 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 May 2007. This report was also shared with the Home Office.
- 13 I concluded that the Authority and Force have good corporate arrangements in place for securing the quality of data. Crime recording data has improved and levels of compliance with the National Crime Recording Standard were found to be excellent. User satisfaction data was also found to be good and the Authority has satisfactory and robust arrangements in place to comply with the National Standard for Incident Recording. All user satisfaction survey Statutory Performance Indicators (SPI's) were found to be fairly stated.
- 14 An action plan for further strengthening existing arrangements has been agreed. This includes the adoption of a corporate data quality strategy and ensuring that data quality standards are incorporated into job descriptions and personal targets.

## Police use of resources scores

- 15 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 October 2007.

**Table 1 Police use of resources scores**

Element	2006/07	2005/06
Financial reporting	3	3
Financial management	3	2
Financial standing	3	2
Internal control	2	2
Value for money	3	3
<b>Overall assessment of the Audit Commission</b>	<b>3</b>	<b>2</b>

*(Note: 1=lowest, 4=highest)*

- 16 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows:
- improvements are evident in several areas resulting in increases in theme scores for financial management and financial standing;
  - the Authority and force continue to perform well in the preparation and publication of its annual financial statements;
  - financial management is effective with clear links from strategic and operational plans to the overall financial strategy;
  - arrangements for managing the authority's financial standing are sound. The overall financial outlook remains challenging but the force and authority have a good track record for managing within budget and achieving the necessary savings and efficiencies;
  - systems for internal control remain adequate and are progressing. Risk management arrangements have continued to develop within the force and are now embedded. The role of the authority in risk management is becoming more formalised but is not yet fully embedded. A training programme for members covering audit committee responsibilities and other key areas such as financial management is being developed; and
  - the Authority and force approach to managing and improving value for money remains robust and well embedded within the overall culture.
- 17 An action plan identifying areas for further improvement has been discussed and agreed with officers.

## National Fraud Initiative

- 18 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.
- 19 The Authority is still in the process of following up the matches, but no instances of fraud have been identified so far. This helps to provide assurance that the Authority and force have sound arrangements for preventing and detecting fraud and corruption.

## Audit of the accounts

- 20 I issued an unqualified opinion on the Authority's accounts on 27 September 2007.
- 21 There were a number of changes to the Statement of Recommended Practice (SORP) this year which had a significant impact on the financial statements. Nevertheless, the Authority has continued to prepare its accounts in a timely manner and to a good overall standard. The accounts were again supported by good quality working papers and finance staff were accessible and supportive throughout the audit.
- 22 I did not identify any significant errors although some minor amendments were required to disclosure notes in the financial statements.
- 23 Before giving my opinion, I reported to the Audit Committee on the main issues arising from the 2006/07 audit.

## Whole of government accounts (WGA)

- 24 Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including police authorities. The Authority is required to submit a 'consolidation pack' to the Department for Communities and Local Government (DCLG) and the auditor is required to undertake a range of procedures and report on the pack.
- 25 I issued an unqualified opinion on the WGA consolidation pack on 27 September 2007.

## Review of Internal Audit

- 26 We carried out a detailed review of Internal Audit in 2005/06 and concluded that all ten of the professional standards specified by CIPFA had been met either in full or in part. However, our original audit was undertaken during a period of significant change as the incumbent supplier (PPS Acit) went into administration in September 2005 and was subsequently bought out by Bentley Jennison.
- 27 As a result of the change in internal audit supplier, we carried out a follow-up in 2006/07 to ensure that professional standards continue to be met and that the recommendations in our original report have been implemented.
- 28 We concluded that professional standards continue to be met and that eight out of 12 recommendations in our original report had been implemented. Satisfactory responses were received in respect of the remaining four recommendations and we will undertake a further follow-up as part of our 2008/09 audit.

## Closing remarks

- 29 We have discussed and agreed this letter with the Deputy Chief Constable, Treasurer and force Finance Director. We will present the letter at the Finance and General Purposes Committee on 11 December 2007 and will provide copies to all Authority members.
- 30 Further detailed findings, conclusions and recommendations on the areas covered by our audit 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
Best Value Performance Plan: Statutory Report	November 2006
Data Quality Audit	May 2007
Internal Audit Follow-Up	July 2007
Report to those charged with governance	August 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

- 31 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.

**Neil Bellamy**  
**District Auditor**

November 2007