

Leicestershire Police Authority
2008/09 Annual Audit Letter (DRAFT)

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The Members
Leicestershire Police Authority
Police HQ
St Johns
Enderby
Leicester
LE19 2BX

3 March 2010

Ladies and Gentlemen,

2008/09 Audit Letter

We are required under the Audit Commission's Code of Audit Practice to issue an Annual Audit Letter to the Police Authority on completion of our audit, demonstrating that the audit objectives in the Code have been addressed and summarising all issues of significance arising from our work. This letter will be presented to the Audit Committee at its meeting on 18 March 2010 when we will be available to discuss any of the issues raised and respond to any questions that you may have on our work.

We would like to thank all those with whom we have had contact for their help and assistance throughout the course of our work.

Yours faithfully

PricewaterhouseCoopers LLP
Encs

In March 2008 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and audit letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

Contents

Section	Page
Introduction	4
Audit findings	5

DRAFT

Introduction

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2008/09 audit work we have undertaken at Leicestershire Police Authority (the "Authority") that is accessible for members and other interested parties.

We have already reported the detailed findings from our audit work to those charged with governance, which in the case of the Authority has been previously agreed as being either the Audit Committee or the Finance and General Purposes Committee, as follows:

- our interim audit work was reported to the Audit Committee on 15 April 2009 as part of our External Audit Progress Report;
- our report to those charged with governance on the audit of the 2008/09 financial statements in accordance with the International Standard of Auditing 260 (ISA 260 Report) was presented to the Finance and General Purposes Committee on 9 September 2009; and
- our report on the results of our assessment of the Authority's use of resources under the Comprehensive Area Assessment (CAA) was presented to the Finance and General Purposes Committee on 22 December 2009.

The matters reported here are only those that we consider are most significant for the Authority.

Scope of work

Our audit is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its financial statements, including the Annual Governance Statement. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Authority's Annual Governance Statement;
- forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources;
- forming an opinion on the Authority's Whole of Government Accounts; and
- undertaking any other work specified by the Audit Commission.

Our audit work has been undertaken in accordance with our 2008/09 Audit Plan which we presented to the Audit Committee on 13 November 2008.

Audit findings

Audit opinion

We undertook our audit of the Authority's 2008/09 financial statements in line with the Code of Audit Practice and Auditing Standards. We issued an unqualified audit opinion on the Authority's 2008/09 financial statements on 30 September 2009.

Accounting issues

Unadjusted misstatements

We identified three unadjusted items during our audit work which we reported to the Authority's Finance and General Purposes Committee in our '2008/09 Report to those charged with Governance (ISA 260 Report)'. The total impact of these misstatements, if adjusted, would have been to decrease the Authority's surplus and net asset position by £20,000.

The Authority is the lead body for the East Midlands Special Operations Unit (EMSOU). The transactions for EMSOU are accounted for under Financial Reporting Standard (FRS) 9 as a joint arrangement not an entity (JANE). As well as accounting for its contribution and share of the assets and liabilities the Authority prepares the key financial statements for the Unit as a whole. These "group" accounts are shown as a disclosure note in the Authority's accounts. We reported two errors in the EMSOU disclosure in the 2008/09 Report to those charged with Governance (ISA 260 Report). The total impact of the misstatements on the EMSOU disclosure note, if adjusted, would have been to decrease the Unit's surplus and net asset position by £137,000.

After considering our ISA 260 Report, the Authority's Finance and General Purposes Committee concluded that these items, individually and in aggregate, were not material to the truth and fairness of the accounts and decided not to adjust the accounts for these items. We considered the qualitative and quantitative aspects of these unadjusted items and concluded that, if not adjusted, this would not adversely impact on our audit opinion.

Agreed and adjusted misstatements

As might be expected, the audit process identified some issues, both of content and presentation, where we believed amendments to the accounts would enhance their accuracy and usefulness to the reader, and the Authority agreed to process the amendments accordingly. These amendments had no impact on the reported surplus of the Authority. There were no significant adjustments that we need to draw to your attention.

Systems of internal control

We identified no material weaknesses in the Authority's accounting and internal control systems during our audit. We did report some relatively minor control issues to the Audit Committee in our Audit Update Report in April 2009 and in our 2008/09 Report to those charged with Governance (ISA 260) to the Finance and General Purposes Committee in September 2009.

Qualitative aspects of the audit

This has been our first year as your auditors and whilst both the Authority and PwC appear happy with this year's audit experience, we cannot afford to be complacent and we are keen to continue to work with the Authority to achieve further improvements in the accounts and audit process. Together we plan to consider ways in which we can further improve the accounts and audit process in future years.

Electors' Questions/Objections

We did not receive any questions or objections from electors relating to the 2008/09 financial statements.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The work was completed and the audited pack was submitted in order to meet the deadline of 1 October 2009. Our work on the Whole of Government Accounts consolidation pack concluded that it was consistent with the statement of accounts for the year ended 31 March 2009.

Use of Resources

Since April 2009, the Audit Commission has been implementing a Comprehensive Area Assessment (CAA), jointly with the other public service inspectorates. The audit year 2008/09 is a year of transition to CAA.

As part of this new assessment regime, in 2008/09, we were required by the Audit Commission to assess the overall arrangements that the Authority has in place in the following three areas or 'themes':

- Managing finances
- Governing the business
- Managing resources

We assessed the Authority's arrangements against a series of Key Lines of Enquiry (KLoEs) grouped into the above three themes which form the Use of Resources framework. The assessment has changed to focus more on the Authority's achievements, outputs and outcomes rather than the Authority's processes and procedures, which had been the primary focus under the previous use of resources regime, known as the Police Use of Resources Evaluation (PURE).

KLoEs were scored as follows:

- 1 failure to meet minimum requirements – inadequate performance;
- 2 meets only minimum requirements – performs adequately;
- 3 exceeds minimum requirements – performs well; or
- 4 significantly exceeds requirements – performs excellently.

The scores for these KLoEs then determine the overall score for each area, using rules issued by the Audit Commission. The Audit Commission in turn then determines an overall score for the Authority.

Whilst the scoring system and descriptions are largely unchanged from the previous Use of Resources regime, in practice the change of emphasis from systems and processes to real and measurable outcomes means that it is far more difficult for authorities to achieve the same overall score that they did in prior years under the PURE assessment.

We initially reported the findings from our assessment, along with our proposed scores for each KLoE, as part of the presentation of the 2008/09 Report to those charged with Governance (ISA 260) to the Finance and General Purposes Committee in September 2009. There were no changes to our proposed scores as a result of the local and national moderation processes and we subsequently presented a detailed report of our findings to the Finance and General Purposes Committee in December 2009.

The Authority achieved an overall CAA level 3 performance, which is supported by the following CAA theme scores:

Theme	Theme Score
Managing Finances	Level 3
Governing the Business	Level 3
Managing Resources	Level 2
Overall CAA score	Level 3

The table above shows that the Authority achieved performance at level 3 (exceeds minimum requirements – performs well) for Managing Finances and Governing the Business and level 2 (meets only minimum requirements – performs adequately) for Managing Resources with an Overall CAA score of 3 (exceeds minimum requirements – performs well). This is a commendable performance in the first year of CAA for which the Authority and Force should be congratulated.

The results of our 2008/09 assessment fed into the first results of CAA, which the Audit Commission launched on the Oneplace website in December 2009.

Individual KLoE scores which supported these theme scores are as follows.

Managing Finances

We scored the KLoEs for managing finances as follows:

Key Line of Enquiry		Score
1.1	The Authority plans its finances effectively to deliver its strategic priorities and to secure sound financial health.	3
1.2	The Authority has a sound understanding of its costs and performance and achieves efficiencies in its activities.	2
1.3	The Authority's financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people.	3

Governing the business

We scored the KLoEs for governing the business as follows:

Key Line of Enquiry		Score
2.1	The Authority commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money.	3
2.2	The Authority produces relevant and reliable data and information to support decision making and manage performance.	3
2.3	The Authority promotes and demonstrates the principles and values of good governance.	3
2.4	The Authority manages its risks and maintains a sound system of internal control.	3

Managing resources

We scored the KLoEs for managing resources as follows:

Key Line of Enquiry		Score
3.1	The Authority makes effective use of natural resources.	N/A
3.2	The Authority manages its assets effectively to help deliver its strategic priorities and service needs.	N/A
3.3	The Authority plans, organises and develops its workforce effectively to support the achievement of its strategic priorities.	2

Note: KLoEs 3.1 and 3.2 were not specified KLoEs for police authorities in 2008/09.

Conclusion on Use of Resources

We were also required to conclude on the adequacy of the Authority's arrangements for economy, efficiency and effectiveness in its Use of Resources as part of our 2008/09 opinion. In reaching this conclusion, we were required to have regard to the results of our assessment of each of the CAA KLoEs reported above. A score of level two or higher for each of the KLoEs would normally result in an assessment of 'adequate' arrangements for the purposes of forming our use of resources conclusion.

We issued an unqualified conclusion on the Authority's arrangements for its Use of Resources on 30 September 2009.

Annual Governance Statement

Police authorities are required to produce an Annual Governance Statement (AGS) which is consistent with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

Our review of the Authority's Annual Governance Statement (included with the Authority's financial statements) concluded that it complied in all material

respects with CIPFA/SOLACE guidance and that it was not misleading or inconsistent with other information known to us from our audit work.

Treasury Management

As part of their work on Use of Resources, auditors nationally were required to carry out a programme of work specified by the Audit Commission on Treasury Management.

We are pleased to report that there were no issues arising from this work.

Members' Allowances

Also as part of their work on Use of Resources, auditors nationally were required by the Audit Commission to review authorities' schemes for members' allowances.

We reviewed whether the Authority is complying with the regulations applying to members' allowances and whether it has made the required disclosures in respect of its own scheme. We did not identify any issues to report from this work.

Annual summary of recommendations

The production of an annual summary of recommendations is a requirement of the Audit Commission's Standing Guidance for Auditors.

The annual summary includes all the recommendations we have raised with regard to the reports noted previously. As 2008/09 is our first year as the Authority's auditors, we also consider the extent to which recommendations raised by your previous auditors have been implemented.

We will be working with the Treasurer to agree timescales, responsibilities and actions for the 2008/09 annual summary of recommendations. Delivery of these will be managed by the Treasurer, and any significant issues relating to this process will be raised with the Audit Committee.

There are no further matters to report to you with regard to the progress made on the annual summary of recommendations.

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