

Annual Audit Letter

November 2007



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Hertfordshire Police Authority

Audit 2006/07

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Summary

Key messages

- 1 Over the past year the Authority has continued to improve and strengthen its arrangements in key areas. It has demonstrated a commitment to data quality, with good processes in place to ensure the accuracy of key data. It manages its finances well and has taken steps to safeguard its future financial standing. It has particularly demonstrated an improvement in the achievement of value for money through the implementation of a range of initiatives such as targeting resources through intelligent-led policing.

Police use of resources

- 2 My assessment of the arrangements in place for value for money undertaken as part of the Audit Commission's work on police use of resources concluded that the Authority and Constabulary achieve value for money. Robust arrangements are in place to secure improvements and opportunities for improvement are actively sought with innovative initiatives. This is reflected in a score of 4 for the value for money element of the use of resources assessment.
- 3 The Authority and Force continue to demonstrate good arrangements for financial reporting, financial management, financial standing and internal control, and have again been assessed as level 3 in each of these areas. Action has been taken to further enhance arrangements in 2006/07 and a number of particular areas of strength have been identified.
- 4 The further improvement opportunities identified during our review of police use of resources represent the criteria associated with the highest level of assessment. The Authority and the Force may therefore wish to assess the relative costs and benefits before determining whether to implement any actions in relation to these areas.

Data quality

- 5 Arrangements for data quality at the Authority and the Force have been maintained at the same level as the previous year. The Authority and Constabulary have good systems and processes in place to collect, check and evaluate data to secure its quality. The Authority could further improve data quality by requesting the Constabulary to demonstrate that, in relation to all police services and operations, its key data requirements have been identified, audited and reported.
- 6 The Authority currently undertakes a high level of checking of coding accuracy for crimes and incidents. The Authority should ensure that the Constabulary increases its training on coding for appropriate staff rather than rely upon this high level of checking.

- 7 Our future work on data quality will be significantly reduced from that undertaken in 2006/07 and previous audits. However we will be revisiting the management arrangements in place for data quality and in particular those for auditing and reviewing data. The results of this assessment will continue to feed into our value for money conclusion.

Financial statements

- 8 I gave an unqualified audit opinion on the financial statements and an unqualified conclusion on the Authority's arrangements for ensuring value for money. Working papers to support the financial statements continue to be comprehensive. A number of significant changes have been made to the format of police accounts in 2006/07 as a result of the new Statement of Recommended Practice and the new police pension fund regulations. A small number of amendments were required to the statement of accounts to ensure compliance with the new requirements. Further changes to the format of the accounts will be introduced for 2007/08, which will again mean that the preparation of the statement of accounts will present a challenge.

National Fraud Initiative

- 9 Follow up action is taken on matches identified through the National Fraud Initiative. The work undertaken on the national fraud initiative in 2007/08 will contribute towards my value for money conclusion next year.

Recommendations

Recommendations	
<i>R1</i>	<i>Ensure the Constabulary increases the level of training on coding accuracy, encouraging a 'right first time' approach, to mitigate the need for the current high level of post data checking.</i>
<i>R2</i>	<i>Discuss with the Constabulary the implementation of arrangements to demonstrate that, in relation to all police services and operations, key data requirements have been identified, audited and reported. An overall strategy for data quality across the Constabulary would assist in this.</i>
<i>R3</i>	<i>Ensure the financial statements are compliant with SoRP requirements for 2007/08 and are fully supported by comprehensive working papers in all areas.</i>
<i>R4</i>	<i>Consider the costs and benefits of the improvement opportunities identified by the police use of resources and decide whether to take action to address the improvement opportunities identified.</i>

Purpose, responsibilities and scope

- 10 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.
- 11 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.
- 12 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.
- 13 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).
- 14 We have listed the reports issued to the Authority relating to the 2006/07 audit at the end of this letter.

Use of resources

- 15 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

- 16 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

- 17 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 officers in May and presented to the Audit Committee on 27 June 2007. This report was also shared with the Home Office.
- 18 We concluded that the Authority and Constabulary have good systems and processes in place to collect, check and evaluate data to secure its quality and thus enable police resources to be prioritised and targeted efficiently and effectively. There is good Authority ownership of data quality at both officer and member level.
- 19 The Authority could further improve data quality by requesting the Constabulary to demonstrate that, in relation to all police services and operations, its key data requirements have been identified, audited and reported. An overall strategy for data quality across the Constabulary would assist in this.
- 20 Data testing found crime data to be excellent with a very high level of compliance. Good progress has been made in implementing the National Standard for Incident Recording which needs building upon with further training. The Authority currently undertakes a high level of checking of coding accuracy for crimes and incidents. The Authority should ensure that the Constabulary increases its training on coding for appropriate staff, producing 'right first time' data, rather than rely upon this high level of checking.

Police use of resources scores

- 21 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 officers of the Constabulary in draft form in November.

Table 1 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)

- 22 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- 23 Hertfordshire Police Authority and Force continue to demonstrate good arrangements for financial management, financial standing and internal control, and have taken action to enhance these further in 2006/07. Particular areas of strength identified include the following.
- Managing its finances well; the medium-term financial strategy (MTFS) has been informed by the external funding risk assessment and models key balances over three years. Future developments have been identified and are being managed well.
 - Safeguarding its financial standing well; the authority has built up reserves to mitigate the effect of a decrease in future government funding.
 - Taking a leading role in the region in developing collaborative work; particularly in relation to Major Crime and Fleet Management.
 - Proactively seeking external partnership funding for Police Community Support Officers (PCSOs) resulting in the employment of additional PCSOs.
 - Engagement with an external provider 'Safecall' and implementing procedures for external reporting of potential misconduct issues via telephone systems.
 - Use of 'environmental scanning' techniques to identify future risks and developments and proactively manage them. These feed into an organisational control strategy which prioritises and allocates named senior managers with delivery responsibility.
- 24 The financial reporting theme has been assessed as 'performing well' this year, a reduction compared to the previous year, due to a small number of amendments being required to the Accounts and the opportunity for improvement in some working papers. The Authority does, however, continue to demonstrate strong arrangements in this area.

- 25** Arrangements for the achievement of value for money have been strengthened, and this has been demonstrated by the following.
- A reduction in anti social behaviour, resulting from more efficient use of police time: activity was intelligence based eg mapping where anti-social behaviour was occurring and used local intelligence to identify the perpetrators, as well as working with schools, the district council and the county council.
 - Efficiency savings made by matching the supply of staff to demand. The Force used a sophisticated computer programme to plot periods of high crime, anti-social behaviour etc against existing police availability, shift patterns etc. New shift patterns were developed that more effectively allocated resources and 91 'new' posts were released from existing resources. Other benefits were a 17 per cent reduction in Police officer sickness and a £391,500 increase in Proceeds of Crime Act (POCA) seizures in the first half of 2006 compared with 2005.
 - Improved public access to police stations, evaluating all police stations against 'fit for purpose' criteria and ensuring police buildings and facilities offered value from money. This involved a thorough review of assets and assessed demand for facilities (eg the number of cells required), prioritising work in terms of replacement and refurbishment of facilities and developing a business case for each police station to assess priorities.
- 26** The Authority and Force have addressed improvement opportunities identified by last year's audit. The key improved areas were as follows.
- Value for money – The Force have shown that their investment decisions have resulted in improvements in service, as illustrated by the above examples.
 - Financial management - External funding risk assessment has informed 2007/08 and medium term financial planning; the MTFS incorporates the effect on general reserves, earmarked reserves, capital programme and cash balances over three years which has resulted in accurate predictions of the year end financial position.
 - Internal control – A lead member exists for risk management; all members have received risk management awareness training; an integrated approach to risk is in place; the risk register is comprehensive and regularly updated with action taken.

National Fraud Initiative

- 27** 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.
- 28** The Authority submitted data for the NFI, and at the time of writing this letter had made good progress in following up the matches identified.

Audit of the accounts

- 29 I issued an unqualified opinion on the Authority's accounts on 28 September 2007.
- 30 2006/07 was a year of significant change following the introduction of a revised Statement of Recommended Practice (SORP). Subsequent to the issue of the guidance notes for the SORP and the approval of the draft accounts by the Financial Resources Working Group, new regulations were approved in respect of the police pension scheme. Some of the requirements set out in the regulations conflicted with the accounting treatment proposed by the SORP.
- 31 Overall the Accounts were prepared in accordance with statutory requirements, relevant accounting and reporting standards, although adjustments were required in the following areas: (1) prepaid pensions of £1,702K were moved from the Authority's Balance Sheet to the Police Pension Scheme Fund Accounts' Net Asset Statement following discussions with the Audit Commission as to the appropriate accounting treatment; (2) the Cash Flow Statement reconciliation note was reconciled to the Police Fund deficit for the year rather than the Income and Expenditure Account deficit; (3) there was no Prior Year Adjustment note to explain the movement in the 2005/06 comparative from that stated in the 2005/06 Accounts as a result of the new SORP.
- 32 No other non trivial errors were identified. The Authority relied on the guidance available at the time of the preparation of their accounts, which was not completely clear. Although the position should be clearer in 2007/08, there will be further changes introduced by the SORP which will again mean that the preparation of the statement of accounts will not be a straightforward process. As in previous years the working papers to support the financial statements were generally of a good standard and comprehensive.
- 33 Before giving my opinion, I reported to the Audit Committee on the issues arising from the 2006/07 audit.

Whole of government accounts

- 34 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.
- 35 The consolidation pack was submitted on 28 September to the Department together with my unqualified auditor's report.

Closing remarks

- 36 We have discussed and agreed this letter with the Clerk to the Police Authority, Chief Constable, the Treasurer and the Director of Resources. We will present the letter at the Audit Committee on 12 March 2008. We will provide copies to all Authority members by the end of November 2007.
- 37 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 2 Reports issued

Report	Date of issue
Audit plan	March 2006
Interim audit memorandum	Not necessary
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: <ul style="list-style-type: none"> • interim report; and • final report (including Financial Reporting theme) 	July 2007 October 2007
Review of police data quality	May 2007
Annual audit letter	November 2007

- 38 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.

Debbie Hanson
District Auditor

November 2007