

Annual Audit Letter

Hertfordshire Police Authority

Audit 2009/10

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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Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (pages 3 to 4); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 7).**

I have not included any recommendations within this report as these have been detailed within my Annual Governance Report issued to the Trust in September 2010.

Audit opinion and financial statements

1 My audit of the financial statements was completed in September 2010. Following this, I issued an unqualified opinion on the financial statements on the 28 September 2010.

2 The financial statements were presented to me for audit in advance of the required deadline. The processes in place at the Authority for the preparation of the accounts are sound and therefore those presented to me for audit were complete and substantially free from error.

Value for money

3 I issued an unqualified value for money conclusion prior to the statutory deadline of 30 September 2010.

Current and future challenges

1 Over the coming years, the public sector as a whole will face significant challenges as the government continues to tackle the UK deficit. The Authority alone has been charged with saving £40 million over the next four years. The Authority is well placed to deliver these savings and has made some progress in developing efficiency plans. It is against this backdrop that the authority will be required to continue delivering services to a high standard.

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.

I gave an unqualified opinion on the Authority's 2009/10 financial statements on 28 September 2010, within the statutory target date.

Overall conclusion from the audit

2 I have completed my audit of the financial statement and have issued my unqualified opinion.

3 During the course of my audit, some errors were identified. I reported these findings in full in my Annual Governance Report that was presented to the Audit Committee on 28 September 2010. The Authority's management agreed to all the suggested amendments.

4 This outcome reflects the robust closedown plan that the Authority has for the production of its financial statements, together with supporting working papers to aide my audit.

5 The Authority did not advertise the period of the public inspection of the accounts in accordance with the requirements of the Account & Audit regulations (2003). This states that the advert is required to be placed 14 calendar days before the beginning of the 20 working day public inspection period.

6 The Authority elected to advertise the inspection period in Hertfordshire County Council's magazine 'Horizon'. This magazine was delivered to households between 31 August and 11 September which did not allowed sufficient time for the 14 day inspection period prior to financial statements submission deadline. The Authority took this decision as the cost of advertising in a sufficient number of local newspapers was deemed prohibitive.

7 Therefore, I was not able to issue my certificate of closure of the audit until 4 November 2010 once the public inspection rights were complied with. I was however able to issue my unqualified opinion on the financial statements on 28 September in advance of the required deadline.

Significant weaknesses in internal control

8 I did not identify any significant weaknesses in your internal control arrangements.

Value for money

I considered whether the Authority is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

2009/10 use of resources assessments

9 At the end of May 2010, the Audit Commission wrote to all Chief Executives to inform them that following the government's announcement, work on the Comprehensive Area Assessment would cease with immediate effect and the Audit Commission would no longer issue scores for its use of resources assessments.

10 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

11 I report the significant findings from the work I have carried out to support the vfm conclusion.

VFM conclusion

12 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body. This is a summary of my findings.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Risk management and internal control	Yes
Managing resources	
Natural Resources	Yes

13 In 2009/10 I found that the Authority had performed to a high standard across the three themes of managing finances, governing the business and managing resources. I therefore issued an unqualified conclusion stating that the Authority had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

Managing finances

14 My review of this area found that the Authority has a fully integrated planning and financial management approach. It reviews its performance against changing circumstances considering both short and medium term aspects. Significant collaborative and partnership arrangements are in place to deliver both reduced costs and improved operational performance.

15 Hertfordshire Police Authority is a top quartile performing, low cost organisation. It has a culture that recognises the need to change in order to continue delivering high quality cost effective services.

Governing the business

16 I reviewed how the Authority governs the business. I found that it understands the inequalities and diversity of its local community and their needs. There are good customer feedback mechanisms in place. The Authority had a strategic approach to partnership working with the collaboration with Bedfordshire Police Authority a key strand in delivering efficiency savings and improvements in operational performance.

17 The Authority uses a variety of reporting mechanisms and a sound governance framework which is carried forward to partnership working. Detailed business continuity plans exist and have been tested.

Managing resources

18 The Authority has publicly demonstrated its commitment to reducing its use of energy and improving sustainability. The impact of police vehicles is fundamental to the environmental footprint of the Authority and consideration has been given to ways in which carbon emissions can be reduced. Other initiatives have considered the impact of Information and Communication Technology (ICT) on the Authority's carbon footprint.

Approach to local value for money work from 2010/11

19 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

20 My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

21 I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead, I will report the results of all my local VFM audit work and the key messages for the Authority in my annual report to those charged with governance and in my annual audit letter.

Current and future challenges

Economic downturn and pressure on the public sector

22 The last few years have seen the United Kingdom enter a significant economic recession on the back of a global economic crisis triggered by the collapse of several high-profile international banks.

23 The effect locally, is an increasing demand for public services at a time of reduced levels of central government funding. The recent Comprehensive Spending Review confirmed that central government police funding will reduce by 20 per cent in real terms by 2014/15. The government will cut almost two thirds of the funding by 2012/13.

24 The impact of the recession and the Comprehensive Spending Review will present a challenge to the Authority for the coming years in preserving services to local residents, keeping a sound financial position and delivering value for money.

Police reform

25 The government has announced its plan to abolish police authorities and introduce directly elected Police and Crime Commissioners (PCCs) by May 2012. PCCs will cover the police force area and hold Chief Constables to account for the Constabulary's performance. A Police and Crime Panel will have overview and scrutiny powers over the Commissioner.

26 The national reports on the inspections of police authorities found that most police authorities were performing adequately, but in general were not:

- taking a strategic lead in deciding the longer term shape of policing for their area; and
- ensuring a clear and sustained focus on value for money (VFM) and collaboration.

27 Replacing police authorities with PCCs raises several risks relevant to these key themes of leadership and VFM for authorities. The Authority should review its:

- capacity to ensure its members and officers have the vision, drive and ability to deal with the risks, associated with the transition;
- strategic direction to focus on key priorities ensuring the Constabulary preserves performance with fewer resources;
- scrutiny role in both engaging with and challenging the Constabulary to achieve VFM; and
- governance role in upholding key financial controls during major organisational change.

28 PCCs will have a community safety role with the potential to commission community safety work by partners in local areas. At the same time, the government is reviewing rules around community safety to free partnerships from central prescription.

29 The removal of prescription creates opportunities for police, councils and other partners to focus on and respond to local concerns.

30 Commissioners will need better information to make a positive contribution and impact in community safety. However, partnerships add complexity in providing transparent information to the public. The partnerships that will emerge will need to agree on:

- providing clear, credible and easy to understand information to the public;
- a better understanding of the different communities to adapt policing to their needs; and
- showing effective scrutiny, challenge and review in deciding actions for local communities.

Closing remarks

31 I have discussed and agreed this letter with the Chief Executive, the Treasurer and the Director of Resources (Force). I will present this letter at the Audit Committee on 26 November 2010 and will provide copies to all Police Authority members.

32 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Authority during the year.

Report	Date issued
Initial fee letter	April 2009
Audit Plan	February 2010
Annual Governance Report	September 2010
Opinion on the Financial Statements	September 2010
Audit Certificate	November 2010
Annual Audit Letter	November 2010

33 The Authority has once again taken a positive and helpful approach to our audit. I wish to thank the Authority staff for their support and cooperation during the audit.

Mark Hodgson
District Auditor
November 2010

Appendix 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	56,259	56,259	0
Value for money	20,541	20,541	0
Total audit fees	76,800	76,800	0

Appendix 2 Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Authority on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

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