

Annual Audit Letter

Lincolnshire Police Authority

Audit 2008-2009

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 I have undertaken to assess your arrangements to secure value for money in your use of resources.

- 1** You can take assurance from the fact that I have been able to give an unqualified opinion on the financial statements. The draft financial statements were changed to correct a few errors but officers have agreed to address the issues identified by our audit. This should improve the quality of next year's financial statements.
- 2** I have also given an unqualified value for money conclusion as you have adequate processes in place to manage and use your resources to deliver value for money. The next step is for you to prove that these processes are actually helping you deliver priority services to the community.
- 3** During the year you had to revise your spending plans because the Government would not let you increase Council Tax as much as you wanted to. You dealt with this well and kept spending within the revised limits. In the current year, spending is also being kept within the funds available. However, it remains a challenge to keep spending under control and you must continue to monitor this closely and take any necessary decisions promptly.
- 4** Finally, it is my view that you need to take action to stabilise your senior management team. You currently have no Chief Executive and are at an early stage in the process of recruiting a replacement.

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.

Significant issues arising from the audit

- 5 I issued an audit report including an unqualified opinion on the financial statements on 29 September 2009. The financial statements presented to audit contained a number of non material errors which were amended. There were a further two non material errors that the Authority declined to amend.
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Material weaknesses in internal control

- 6 I did not identify any significant weaknesses in your internal control arrangements. However we have identified a number of weaknesses within the loans system which the Authority has agreed to address including:
- authorisation arrangements for initiating new loans;
 - linking loans to the capital programme; and
 - the frequency of reconciliation between the ledger and the loans schedule.
- 7 I have not provided a comprehensive statement of all weaknesses which may exist in internal control, or all the improvements which may be made. I report only those matters which have come to our attention because of the audit procedures that we have performed.
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Accounting Practice and financial reporting

- 8 I considered the qualitative aspects of your financial reporting. I reported four issues to the Authority and the Authority has agreed to review the following:
- application monies from the public for data protection queries of £28k;
 - bad debt provision levels for all categories of debt over 30 days and the appropriate bad debt provision; and
 - fixed assets register for assets that are leased but not owned.
-

Financial statements and annual governance statement

- 9 I also reported the restatement for 2007/08 entries relating to the East Midlands Special Operations Unit (EMSOU). It was our view that this restatement was unnecessary under the Statement of Recommended Practice. However, the restatement was in line with the other police authorities within EMSOU and the Authority decided not to amend the financial statements for this.

Financial position

- 10 During 2008/09 financial plans were re-written following the decision to cap the Authority's precept on the Council Tax and the requirement to re-issue Council Tax bills. However, the Authority achieved a 2008/09 underspend of £261k which is 0.2 per cent of the budget.
- 11 In 2009/10 the Authority is forecasting an overall underspend of £223k after releasing the budget contingency of £638k. Without the budget contingency release the Authority would be forecasting an overspend of £415k.
- 12 The financial position of the Authority remains challenging. The Authority will need to ensure that it monitors closely the delivery of the financial position and takes appropriate action to enable the Authority to remain within its budget.

Recommendation
R1 The Authority needs to monitor closely the delivery of the financial position and to take appropriate action to enable the Authority to remain within its budget.

Value for money and use of resources

I 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.

I 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.

Use of resources judgements

- 13** In forming my scored use of resources judgements, I 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.
- 14** I 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.
- 15** The Authority's use of resources theme scores are shown in Table 1 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Table 1 Use of resources theme scores

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

- 16** The Authority has achieved a score of 2 across all three use of resources themes. We have reported our headline messages in Appendix 1.

Value for money and use of resources

- 17** Although the overall theme scores under the revised use of resources framework are lower than the scores achieved in previous years, this does not reflect any deterioration in overall performance as the basis of the assessment has been revised. An overall theme judgement of 2 means that the arrangements we would expect to see are in place. In common with many authorities, the challenge in order to achieve higher scores is to demonstrate how your arrangements result in improved outcomes consistent with the Authority's aims and those of its key partners.

Recommendation

- R2** The Authority needs to demonstrate how its arrangements result in improved outcomes consistent with the Authority's aims and those of its key partners.

VFM Conclusion

- 18** I 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. My conclusions on each of the areas are set out in Appendix 1.
- 19** I issued an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Senior management arrangements

- 20** The previous Chief Executive left the Authority at the end of August 2009 and the post is currently vacant. In addition, the Authority is at an early stage in the process of replacing her. In the interim the Monitoring Officer role is being undertaken through a local firm of solicitors who have previously provided monitoring officer support.
- 21** The remainder of the senior management team comprises an interim Deputy Chief Executive who joined the Authority in June 2009 and the Treasurer who has been in place for 3 years and is currently contracted for further 2 years.
- 22** The Authority is facing a challenging agenda to continue to deliver improved services in an environment of tightening financial resources. The Authority needs to progress its plans rapidly to create a stable senior management team that is best able to meet the agenda.
- 23** We are currently reviewing the arrangements relating to the Chief Executive's departure and will report any findings as part of our 2009/10 audit.

Recommendation

- R3** The Authority needs to progress its plans rapidly to stabilise the senior management team.

Closing remarks

- 24** I have discussed and agreed this letter with the Deputy Chief Executive and the Treasurer. I will present this letter at the Audit, Risk and Governance Committee on 19 November 2009 and will provide copies to all Authority members.
- 25** 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.

Table 2

Report	Date issued
Audit Plan	April 2008
Annual Governance Report	September 2009
Opinion and certificate	September 2009

Audit fees

- 26** We were able to deliver the audit within the fee agreed at the start of the year as summarised below

Table 3

	Actual	Proposed	Variance
Financial statements and annual governance statement	43,491	43,491	nil
Value for money	22,167	22,167	nil
Whole of Government Accounts	1,677	1,677	nil
Total	67,335	67,335	nil

Independence

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

Closing remarks

- 28** The Authority has taken a positive and constructive approach to our audit. I wish to thank the Authority staff for their support and co-operation during the audit.

Sue Sunderland
District Auditor
October 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

Theme score 2	
Key findings and conclusions	
Overall the Authority has adequate arrangements in place to manage its finances and deliver value for money.	
KLOE 1.1 (financial planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Authority consistently achieves an adequate or above level of performance in planning its finances effectively to deliver its strategic priorities and secure sound financial health. Its strategic and financial planning is now better integrated and the budget is produced using detailed assumptions. Arrangements for the 2009/10 budget have been strengthened further and the Resource Management Group together with the newly formed Resource Management Board are designed to ensure that the Force managers are involved in and aware of financial matters.</p> <p>The Authority has a good process in place for medium term financial planning. Again the newly formed Resource Management Board strengthens arrangements in 2009/10 by examining spending pressures as they arise and determining their implications for the medium term. The medium term financial plan identifies shortfalls in funding in years two and three of the plan. The future financial health of the Authority remains challenging.</p>	

Appendix 1 – Use of resources key findings and conclusions

The Authority adequately engages stakeholders in setting spending priorities through assessing the equalities impact of each policy. The Authority needs to demonstrate the impact on outcomes of its actions to engage stakeholders. The Authority has satisfactory arrangements for financial governance and leadership. The revised governance structure agreed in July 2009 should provide the opportunity to clarify the arrangements.

KLOE 1.2 (understanding costs and achieving efficiencies)

Score

2

VFM criterion met

Yes

Key findings and conclusions

Overall the Authority performs at an adequate level in having a sound understanding of its costs and in achieving efficiencies.

Whole life costing does take place however the Authority finds this difficult in the present climate as a result of uncertainty around future funding. Efforts are made to profile years two and three of the budget however it is still accepted there is more work to do to refine this. In comparison to similar forces the force spends the least per head of population. However published data indicates that serious crime is rising and high compared to the similar forces.

The Authority does consider best use of resources targeted at areas of most need but it is in its early stages and some redirection of funds has taken place.

Performance information is used to direct changes in service delivery through regular meetings of key players. This is being enhanced and the impact of the new approach on service outcomes will need to be assessed in 2009/10.

Process and procedures for ensuring key projects through procurement are supported by a generic business case proforma. This highlights key information such as procurement implications, risk assessment and exit strategies. Business cases are scrutinised by a panel of senior officers. Value for money is linked with efficiencies where actions are taken to save money while not proving a poorer service. Gershon efficiency savings are achieved year on year often ahead of target.

Appendix 1 – Use of resources key findings and conclusions

KLOE 1.3 (financial reporting)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Authority meets the minimum standards of performance in its arrangements for financial reporting. It produces timely and reliable financial information that meets the needs of internal users, stakeholders and local people.</p> <p>Financial monitoring is through a series of different monitoring groups. The Authority needs to demonstrate the impact of the arrangements on service delivery during 2009/10.</p> <p>Budget monitoring reports include key non-financial data particularly in respect of officer and staff numbers where detailed monitoring is required. The management of the budget is designed to highlight those areas which represent significant financial risk. The Authority achieved an underspend for the year in line with forecasts however Authority needs to demonstrate the impact of that underspend on service delivery.</p> <p>The standard of working papers to support the annual statement of accounts has improved from prior year and officers have been responsive to queries. Authority undertook an internal challenge meeting on the draft accounts prior to the Committee meeting that approved the accounts in June 09. Authority met the statutory deadline for producing the accounts.</p> <p>The most recent published accounts are available to the public and appear on the police authority website in accessible formats with the latest annual audit letter added to website on request. The Authority does not automatically translate all of its policies and procedures into different languages. Where there is a specific need there is a commitment that translations will be available.</p>	

Appendix 1 – Use of resources key findings and conclusions

Governing the business

Theme score	2
Key findings and conclusions	
The Authority has adequate arrangements for governing itself and commissioning services that provide value for money and deliver better outcomes for local people.	
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Authority meets the minimum standards in the way it commissions and procures services and supplies. The Authority has a good understanding of the inequalities and diversity of its communities and understanding of their needs.</p> <p>Neighbourhood policing teams have been set up to deliver a service relevant to needs. Local priorities are set in line with local concerns and kept under review, with progress being reported back. Crime and incident information is made available by Ward to assist in identifying and monitoring the desired community outcomes. The Authority is increasingly working with non police partners to deliver services to meet need, for example, establishing a sexual assault referral centre in partnership with the PCT.</p> <p>The Authority works in collaboration with other forces in the East Midlands to provide joint services such as payroll and internal audit. Joint procurement has led to many framework agreements and, when evaluating tenders, diversity receives 5 per cent of the score. However the overall cost of procurement is not understood widely across the organisation and a full e-procurement is not yet in place. Environmental issues are not prominent in the current Force priorities.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The Authority has good arrangements in place for managing and monitoring data quality. Past data quality audits have confirmed arrangements are robust. The performance reporting to the service delivery review board is detailed and enables effective analysis of data in support of service review. The impact of the service delivery packs on outcomes will need to be assessed during 2009/10.</p> <p>Data quality and performance information is scrutinised with a recognised lead member with responsibility for performance management and data quality, and the Authority receives regular reports on Force performance and crime recording data quality. The Authority tracks the Force's progress in addressing recommendations made in external reports on data quality.</p> <p>Performance information is used to direct changes in service delivery through regular meetings of key players. The force has continued to improve its approach to value for money. Value for money is linked with efficiencies where actions are taken to save money while not proving a poorer service. However finance and performance are reported to separate committees until July 2009.</p>	
<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The Authority meets the minimum standards for promoting and demonstrating the principles and values of good governance. There are clear examples of robust scrutiny of financial strategies and improving approach to the scrutiny of risk. The Authority has set appropriate codes of conduct.</p> <p>There is a positive working relationship between the Force and Authority that is developing well. Roles and responsibilities of those charged with governance are detailed in a published document and plans are in place to modernise the scrutiny functions. There are clear examples of robust scrutiny of financial strategies and improving approach to the scrutiny of risk.</p> <p>The Force's vision is now well established through PRIDE which translates in to key objectives to deliver in the community. Underpinning this there are clear strategic aims. Evidence supplied suggests relationships between the Authority and the Force are concentrated on the priorities and not distracted by issues outside these.</p>	

Appendix 1 – Use of resources key findings and conclusions

There are codes of conduct for its members and staff. Compliance with codes and procedures is monitored. Findings and any action taken are reported to the whole authority. The Standards Committee has taken a proactive role in promoting and maintaining high standards of conduct. The Standards Committee (independent and lay) chairs attend Authority meetings to monitor standards of conduct and promote ethical agenda.

The Force is beginning to develop key partnerships to enable it to deliver more efficient and effective services to the public. The Force has continued to work in partnerships with other East Midlands forces. The Force now has a funding and partnership development officer and there is a clearer approach to the development of partnerships as a better way to deliver services in the future.

KLOE 2.4 (risk management and internal control)

Score

2

VFM criterion met

Yes

Key findings and conclusions

The Authority manages its risks effectively and maintains a sound system of internal control. The Authority and Force maintain and review registers of corporate business risks linking them to strategic business objectives and assigning named individuals. There is no specific counter fraud and corruption policy in place. The core functions of an audit committee are delivered.

The Authority and Force maintain and review registers of corporate business risks linking them to strategic business objectives and assigning named individuals. There is now an assurance framework that maps the strategic objectives to risks, controls and assurances and this provides members of the Scrutiny & Audit and other committees with the appropriate information to support the Annual Governance Statement. The risk management policy aims to develop and improve the existing risk management arrangements and to build a risk management culture throughout the organisation.

There is no specific counter fraud and corruption policy in place. Financial Regulations require the Chief Constable to develop and maintain an anti fraud and corruption policy. This is delivered through the Professional Standards Reporting Policy which is available on the intranet. The policy does not apply to non uniformed staff. Investigations into allegations of fraud and corruption are conducted in accordance with statutory requirements. Effective participation in the National Fraud Initiative has been undertaken.

Managing resources

Theme score	2
Key findings and conclusions	
We have only assessed workforce planning as part of this year’s use of resources assessment.	
KLOE 3.3 (workforce planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Authority achieves the minimum standards in planning, organising and developing its workforce to support the achievement of its strategic priorities. It performs well in developing a productive and skilled workforce. It gauges employee views and responds to these on a regular basis. Workforce planning is carried out to meet the needs of the Authority and Force in both policing and economic terms, although in recent years budgetary constraints have led to a one year focus.</p> <p>A range of recruitment channels are used with encouragement being given to under represented groups. The Authority and Force communicates with staff and invests in their health and well being with initiatives showing improved productivity through improved attendance rates. Effective systems are in place for monitoring sickness levels with support being given following periods of sickness while disciplinary action is taken where necessary. Workforce planning is carried out to meet the needs of the Authority and Force in both policing and economic terms, although in recent years budgetary constraints have, at times, led to delayed recruitment. Currently it looks only one year ahead and does not reflect the Force’s forward strategy. Software is used to map policing needs to population and crime levels, specialist teams are created to address particular crime types that may cross boundaries, while a modernisation programme is used to reduce costs through civilianisation. Organisational change is managed as a project using the PRINCE methodology. Change management training, coaching to improve performance and a mentoring scheme, indicate the range of initiatives used to ensure change programme are successful.</p>	

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
5	R1 The Authority needs to monitor closely the delivery of the financial position and to take appropriate action to enable the Authority to remain within its budget.	Medium	Treasurer			
7	R2 The Authority needs to demonstrate how its arrangements result in improved outcomes consistent with the Authority's aims and those of its key partners.	Medium	Treasurer			
7	R3 The Authority needs to progress its plans rapidly to stabilise the senior management team.	High	Chair of the Authority			

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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