

Annual Audit Letter

Lincolnshire Police Authority

Audit 2010/11



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Traffic light explanation

Red  Amber  Green 

Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

- I issued an unqualified opinion on your financial statements.
- I concluded that the Authority had appropriate financial controls and procedures.
- The accounts submitted for audit contained some non-trivial errors all of which were amended for.
- The Authority responded well to the challenge of preparing accounts under International Financial Reporting Statements (IFRS) for the first time.

Value for money

- My review did not identify any matter that would lead me to believe that the Authority did not have in place proper arrangements for securing economy, efficiency and effectiveness.
- I therefore issued an unqualified value for money conclusion alongside my opinion on the financial statements.

Current and future challenges

Legislative change and other national reviews of Policing policy

New legislation and independent reviews of wide areas of Police policy present the main challenge for Police Authorities in the short and medium term. The main issues are set out below.

Police Reform and Social Responsibility Act 2011

The Act received Royal Assent on 15 September 2011. The Act covers five distinct policy areas:

- police accountability and governance;
- alcohol licensing;
- the regulation of protests around Parliament Square;
- misuse of drugs; and
- the issue of arrest warrants in respect of private prosecutions for universal jurisdiction offences.

The latter four areas deal with specific operational policing issues, whereas the first will lead to the replacement of the existing tripartite relationship between the Home Office, Police Authority and the Force. Police authorities will be abolished, to be replaced by directly elected Police and Crime Commissioners (PCCs).

The first election of a PCC will take place in November 2012, with the successful candidate taking up office for four years. The Act covers some of the detail of the arrangements, with the majority of the detailed requirements to be covered in secondary legislation and guidance.

The Neyroud Review

This review into Police leadership and training was published in April 2011 and then consulted on by the Home Office.

The report grouped recommendations under four main headings:

- Professionalising the Police Service - creating a professional body;
- Building professional development;
- Developing senior and strategic leadership; and
- Delivery of leadership and training.

Full implementation of the review findings would have significant impact on the recruitment and professional development of officers, and lead to a culture change in the way training needs are identified and delivered. The review sets out some high level costings of the proposals, but the impact at individual Force level will be largely dependent upon the current approach to and delivery of training.

The Winsor Review

This review is in two stages, considering police conditions and pay. The first stage covered:

- the deployment of officers and staff (including shift allowances, overtime and assisting other police forces);
- post and performance related pay; and
- how officers leave the police service.

The second stage, which is due to report in January 2012, is looking at:

- entry routes into the police service;
- the career of officers and police staff – including the future of pay scales, progression increments and performance appraisal; and
- the pay negotiating mechanisms themselves.

The Authority will need to have in place arrangements to comply with the requirements of the Police Reform and Social Responsibility Act 2011, and will need to review the recommendations of the Neyroud and Windsor reviews in the Lincolnshire context.

Proposed outsourcing of back office services

The Authority is close to concluding its project to outsource a range of back office and police support services to a potential strategic partner. The Authority needs to ensure that appropriate governance arrangements are in place to monitor and review the effectiveness and success of any new arrangements. The arrangements need to be maintained through the preparation for the abolition of the Authority and the introduction of Police and Crime Commissioners

Economic downturn and pressure on the public sector

The Authority has produced a Medium Term Financial Plan in response to this challenge but will need to refresh this after the outcome of the outsourcing project is known. Once the likely level of savings can be estimated, detailed plans to meet any remaining shortfall need to be prepared.

The Authority has a challenging level of savings required in the medium term due to the reduction in grant from Central Government. We are aware of the discussion the Authority is having with the HMIC on the savings plans and will review any further report when available in order to determine if there is any matter for us to consider for our responsibilities.

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which it accounts for its stewardship of public funds.

Overall conclusion from the audit

The accounts presented for audit were of a good standard, and were largely free from error. The finance team provided the Audit, Risk and Governance Committee with the opportunity to review the full financial statements prior to the end of June, the deadline for submitting them for audit. It also provided my audit team with help and prompt responses, including clear and concise working papers to support the financial statements. This was an impressive performance, especially as this was the first year of preparing the financial statements under IFRS.

I issued an unqualified opinion on the financial statements on 27 September 2011.

Errors in the Financial Statements

I identified a relatively small number of errors in the financial statements and reported these (other than those of a trivial nature) to management. My detailed findings were reported to the Audit Risk and Governance Committee on 26 September 2011.

Significant weaknesses in internal control

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.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Authority has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>In response to the reduction in government grant in 2010/11 and overall funding levels in the medium term, the Authority has taken action to reduce its expenditure.</p> <p>During 2010/11 this action has enabled the Authority to strengthen its reserves by £1.2 million in order to reduce future funding pressures.</p> <p>The Authority has reviewed its budget for 2011/12 and future years in the light of the comprehensive spending review, and has in place a number of savings plans to address the challenges in the medium term.</p>

Criterion

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key messages

The Authority is currently reviewing the provision of a range of back office and police support services with a view to appointing a strategic partner in order to reduce costs and increase efficiency. This includes consideration of governance arrangements. This business transformation project is subject to approval by the Authority. The Authority is preparing to manage the governance issues relating to the expected transfer of its responsibilities to a successor body.

Report by exception

The Audit Commission requires me to report by exception where significant matters come to my attention, which I consider to be relevant to proper arrangements to secure economy, efficiency and effectiveness in your use of resources. I have no such issues to report to you.

Closing remarks

I have discussed and agreed this letter with the Treasurer of the Police Authority. I will present this letter at the Police Authority on 27 January 2012 and will provide copies to all Authority members.

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.

Report	Date issued
Opinion Audit Plan	March 2011
Annual Governance Report	September 2011
Opinion on the financial statements, including VFM conclusion	September 2011
Annual Audit Letter	November 2011

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.

Tony Crawley

District Auditor

November 2011

Appendix 1 - Fees

	Actual	Proposed	Variance
Audit fee (financial statements/vfm conclusion)	£79,750	£79,750	£0
Non-audit work	£0	£0	£0
Total	£79,750	£79,750	£0

In July 2009, in recognition of the financial pressures that public bodies are facing, the Commission confirmed that it would give a “one-off” subsidy to cover the additional cost of transition to IFRS for local authorities in 2010/11 only. A refund of £5,001 against the above audit fee was issued in April 2010. The Audit Commission issued a further rebate of 1.5 per cent of the scale fee (£1,259) in December 2010.

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 financial statements, I must give my 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.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

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 resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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