

Annual Audit Letter

Northumbria Police Authority

Audit 2007/08

December 2008



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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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Summary

Key messages

- 1 The Force and Authority have continued to achieve high levels of performance and enjoy a strong financial position.
- 2 I issued an unqualified opinion on the Authority's accounts on 29 September 2008. We reported that the financial statements continued to be of a high standard and were well supported by working papers. There were no significant issues to draw to the attention of members.
- 3 I have concluded that the Authority did have proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.
- 4 The overall score for the Police Use of Resources Evaluation (PURE) was the highest possible score of 4, performing strongly. The key actions for Authority members in ensuring a continued focus on effective use of resources are:
 - robust monitoring will be needed to ensure that the challenging plans set out in the Medium Term Financial Strategy and annual budget are achieved; and
 - monitoring policing performance, and ensuring that the Estates Strategy is delivered.
- 5 During the current financial year, the Icelandic banking crisis has impacted on the Authority, with bank deposits of £3.5 million at risk. This exposure does not provide any immediate threat and is a small proportion of the Authority's bank deposits. The recent banking crisis is unprecedented, and we have not identified any weaknesses in treasury management arrangements. We will be reviewing these arrangements further during the 2008/09 audit.

Purpose, responsibilities and scope

- 6 This Annual Audit Letter (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 2008. Where relevant this work has included assessment of the arrangements in place in the police force, as well as the Authority.
- 7 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.
- 8 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 at www.northumbria-police-authority.org.
- 9 I have prepared this letter as required by the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.
- 10 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).
- 11 We have listed the reports issued to the Authority relating to the 2007/08 audit at the end of this letter.

Audit of the accounts

- 12 I issued an unqualified opinion on the Authority's accounts on 29 September 2008.
- 13 Before giving my opinion I reported to the Authority acting as those charged with governance on the issues arising from the 2007/08 audit.
- 14 We reported that the financial statements continued to be of a high standard and were well supported by working papers. There were no significant issues to draw to the attention of members.

Whole of Government accounts

- 15 Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including police authorities. The Authority was required to submit a 'consolidation pack' to Communities and Local Government and I was required, as your auditor, to undertake a range of procedures and report on the pack.
- 16 I reported that the consolidation pack was consistent with the statement of accounts, and there were no issues of significance arising from this work.

Additional services

- 17 Although Northumbria Police have an excellent record for achieving high standards of police data quality, they wanted to ensure continuing high levels of data quality and were keen to subject this to independent review. Consequently, the Authority requested some specific targeted data testing to be undertaken by us as additional work outside of the core audit.
- 18 Our findings were that overall performance remained positive. We assessed 1,060 crime logs and concluded that 94.24 per cent were fully compliant with the National Crime Recording Standard (NCRS). However, our work did identify some variations in practice, highlighting areas where procedures and practices needed to be tightened as well as some excellent examples of good practice.

Use of resources

19 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 on five specific themes. This is known as the Police Use of Resources Evaluation (PURE).

Value for money conclusion

20 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

21 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, following up our detailed work in previous years.

22 We concluded that the actions identified from our previous work were being implemented and that high standards were being maintained.

Police Use of Resources scores

23 I assessed the Authority's arrangements on five themes and scored each theme 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 the Authority in November 2008.

Table 1 Police Use of Resources scores

Theme	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	4 out of 4
Internal control	3 out of 4
Value for money	4 out of 4
Overall assessment of the Audit Commission	4 out of 4

(Note: 1 = lowest, 4 = highest)

- 24** Financial reporting was assessed overall as performing well. Working papers supporting the 2007/08 financial statements were comprehensive and well evidenced, and the statements were free from significant error. We have submitted a notable practice in relation to financial reporting. However, we have also identified the need to improve the Authority's web site, particularly in relation to online agenda papers and accessibility. This action would help to improve the Authority's wider accountability to the people it serves in the Northumbria area.
- 25** Financial management is assessed as performing well. The Authority's Medium Term Financial Strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.
- 26** Financial standing is assessed as performing strongly. The Authority's strategy in relation to use of reserves is clearly set out.
- 27** Internal control is assessed as performing well. The Authority and Force's risk management arrangements have been further embedded in the performance management framework, and there is a sound system of internal control and good standards of probity and propriety.
- 28** Value for money is assessed as performing strongly. Northumbria is one of the best performing police forces, and the Authority levies the lowest council tax precept of all police authorities. The Authority and Force have invested in improved service delivery and are identifying efficiencies to sustain improvements.
- 29** The key actions for Authority members in ensuring a continued focus on effective use of resources are:
- robust monitoring will be needed to ensure that the challenging plans set out in the Medium Term Financial Strategy and annual budget are achieved;
 - monitoring policing performance, and ensuring that the Estates Strategy is delivered; and
 - ensuring that the Authority's website is improved, particularly in relation to providing details of meetings, up-to-date copies of agenda papers and addressing accessibility issues.

National Fraud Initiative

- 30 The National Fraud Initiative is a data matching exercise that compares sets of data to identify inconsistencies or other circumstances that might indicate fraud or error. It also helps auditors to assess the arrangements that audited bodies have put in place to deal with fraud.
- 31 Following the latest data matching exercise, all potential data matches have been followed up and no cases of fraud or irregularity were identified.

Other risk-based work

- 32 We have moved away from undertaking detailed projects in specific areas, and more of our work is undertaken through the police use of resources assessment and an ongoing dialogue with key officers. This enables us to keep up-to-date with current developments and respond to new and emerging issues. The following paragraphs highlight a key issue emerging from our ongoing work.
- 33 We note that the Authority has begun to separate its banking arrangements from Gateshead Council. This has meant that any new bank deposits are now apportioned between the Authority and the Council. Unfortunately, the Icelandic banking crisis has impacted on the Authority in that it owns a share of a deposit in Heritable, a UK subsidiary of Landsbanki, amounting to £3.5 million. This exposure does not provide any immediate threat and is a small proportion of the Authority's bank deposits. The Authority has considered the impact of this event in relation to the arrangements for future bank deposits, and will need to consider the impact on the level of reserves and balances in future financial plans. The Government has announced that it proposes to make regulations so that authorities do not have to provide for any potential losses from 2009/10 budgets, to lessen any immediate impact on council tax levels.
- 34 The recent banking crisis is unprecedented, and we have not identified any weaknesses in treasury management arrangements. We will be reviewing the developments in relation to the separation of banking arrangements during the 2008/09 audit.

Closing remarks

- 35 We have discussed and agreed this letter with the Chief Executive, Chief Constable, and the Treasurer. We will present the letter at the Authority meeting on 17 December 2008 and copies will be provided to all Authority members.
- 36 Further detailed findings, conclusions and recommendations on the areas covered by audit work are included in the reports issued to the Authority during the year.

Table 2 Reports issued

Report	Date of issue
Audit plan	May 2007
Crime data quality, additional testing	April 2008
Supplementary opinion plan	July 2008
Interim opinion audit report	August 2008
Information systems risk assessment	August 2008
Report to those charged with governance	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts report	October 2008
Police use of resources	November 2008
Annual audit letter	November 2008

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- 37 The Authority and Force has taken a positive and constructive approach to our audit and data quality work. I wish to thank officers for their support and co-operation during the audit.

Steve Nicklin
District Auditor
December 2008

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.

Copies of this report

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