

Annual Governance Report

Northumbria Police Authority

Audit 2008/09

September 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.
-

Ladies and Gentlemen

2008/09 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed and agreed with the Treasurer on 14 September 2009 and has been updated since as issues have been resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 11);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- either accept officers reasons for not amending the unadjusted errors or arrange for the errors to be amended; (Appendix 3);
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Steve Nicklin
District Auditor
September 2009

Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	7
Use of resources	Results	Page
Use of resources judgements	Yes	12
Arrangements to secure value for money	Yes	15

Audit opinion

- 1 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Financial statements

- 2 A small number of errors have been found as a result of our audit. Appendix 2 provides a summary of adjusted errors.
- 3 There are two non-material errors which officers do not wish to amend, and these are shown in Appendix 3. Officers have explained that they do not wish to amend these errors because they are not material to the financial statements, and they have no impact on the General Fund Balance.

Use of resources

- 4 The Audit Commission's overall draft score for the Authority and Force's use of resources is level 3. This takes into account:
 - the general strengthening of the Audit Commission's scoring criteria in the new Use of Resources approach this year; and
 - the Authority and Force's planned and actual progress, and the positive impact this has had on arrangements and outcomes.
- 5 The scores are summarised in this report, but more detail will be made available in my separate report on the Use of Resources assessment.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

6 I ask the Authority to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 11);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- either accept officers reasons for not amending the unadjusted errors or arrange for the errors to be amended (Appendix 3);
- take note of the VFM Conclusion and Use of Resources score;
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 5).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As Authority members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 7 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
- 8 Once again, we found officers helpful and responsive to the queries we raised, and we appreciate the assistance that was provided in enabling us to undertake our audit work effectively. In particular, we feel that the Sharepoint Site which was developed to help manage queries arising from the audit operated very well and contributed to improved arrangements.
- 9 Our view remains that the financial statements continue to be of a high standard and are well supported by working papers.

Errors in the financial statements

- 10 A small number of errors have been found as a result of our audit. Appendix 2 provides a summary of the errors which officers agreed to amend in the financial statements.
- 11 There are two non-material errors which officers do not wish to amend, and these are shown in Appendix 3. Officers have explained that they do not wish to amend these errors because they are not material to the financial statements, and they have no impact on the General Fund Balance
- 12 As these errors are not individually or collectively material I still plan to issue an unqualified opinion on the financial statements. However, Members should either accept officers reasons for not amending the unadjusted errors (and set out the reasons for this in the letter of representation, a draft of which is at Appendix 4) or arrange for the errors to be amended. Officers have provided some draft wording to explain why these errors have not been amended by them, which Members may find helpful in considering this issue.

Recommendation

- R1** Members should either accept officers reasons for not amending the unadjusted errors (and set out the reasons for this in the letter of representation, a draft of which is at Appendix 4) or arrange for the errors to be amended.

Material weaknesses in internal control

13 I have not identified any material weaknesses in internal control.

Letter of representation

14 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation I seek to obtain from you.

Key areas of judgement and audit risk

15 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
<p>Risks relating to the revaluation of fixed assets. The risk that an impairment review is not undertaken in light of the economic downturn and fall in property values, meaning that fixed assets may be materially misstated.</p>	<p>We discussed this issue with officers at an early stage, and the valuer carried out a full impairment review and the necessary adjustments to fixed asset values were made in the accounts approved on 24 June 2009.</p> <p>We focused on these adjustments as part of our audit testing and we do not have any issues to raise in relation to them.</p>
<p>Risks relating to the new banking and investment arrangements introduced for Northumbria Police Authority from 1 April 2008. This risk that the new arrangements from this date do not adequately record the cash balance for the Authority or the split of any investments between Gateshead Council and the Authority, possibly leading to material misstatement.</p>	<p>We discussed the changes to these arrangements on an ongoing basis with officers, and received assurances regarding the arrangements that had been put in place.</p> <p>We carried out testing of these arrangements during our audit work. The arrangements were understandably complex, and there were some changes made in the year as additional information came to light. However, we have concluded that there are no further issues to raise in relation to these arrangements other than the issue below in relation to impairment of Heritable deposits.</p>

Financial statements

Issue or risk	Finding
<p>Risks relating to accounting for the impairment relating to deposits in Icelandic Banks. The Authority has a £3.5m deposit with Heritable, a UK subsidiary of Landsbanki. The impairment has no impact on council tax payers in 2008/09, but there are risks in relation to reflecting the correct accounting entries 'above the line'.</p>	<p>We discussed this issue with officers. Officers were aware of the accounting requirements and reported that they had followed CIPFA guidance.</p> <p>As a result of the new banking arrangements (noted above), there were ongoing changes in arrangements made in the year as new information came to light. Specifically, the Authority's share of the Heritable investment was determined to be £5.2m rather than the £3.5m originally disclosed. This revised share of the investment was reflected in the financial statements approved by Members on 24 June 2009.</p> <p>However, the accounting entries for the impairment were not revised to reflect the correct share. The consequence of this is that the impairment is understated by £420k.</p> <p>Officers have declined to make an amendment to the statements on the grounds that the adjustment is not material, and they have no impact on the General Fund Balance.</p> <p>Officers propose to adjust for this error in the 2009/10 financial statements.</p>
<p>Risks relating to accounting for changes in backdating of pensions regulations amendments. The risk that not accruing for additional pensions costs in 2008/09 may have led to a material misstatement.</p>	<p>We raised this issue with officers, and they discovered that they needed to make an adjustment, by accruing an additional £2.6m in relation to these payments, and this was included in the accounts approved on 24 June 2009.</p>

Issue or risk	Finding
<p>Risks relating to accounting for the change in structure of the Air Support Unit, which moved from being a joint arrangement with Durham Police Authority and Cleveland Police Authority, to a new arrangement with Durham only.</p>	<p>We discussed this with officers and were informed that the previous arrangement did not wind up until 1 April 2009.</p> <p>We have subsequently discovered that the previous arrangement ceased on 31 March 2009. Although this means that the dissolution of the old agreement should be reflected in the financial statements, officers explained that:</p> <ul style="list-style-type: none"> • there has been no agreement on the figures relating to the final dissolution with Durham Police Authority and Cleveland Police Authority and they would prefer to reflect the accounting entries in the 2009/10 accounts when the position is clarified; and • the adjustments would not be material, and given that a new arrangement was entered into with Durham Police Authority at the point the previous agreement ceased, this would have needed to be reflected also, making any adjustments even less significant. <p>Officers have amended the note in relation to the Air Support Unit to reflect this position, and we have accepted this as a reasonable approach.</p>
<p>Risks if errors identified during the audit of the 2007/08 statements, which were corrected, recur or issues agreed for further action are not followed up.</p>	<p>Tests were undertaken to ensure the correct treatment of areas where errors were identified or further action identified from the 2007/08 audit. There are no significant issues arising.</p>

Recommendation
<p>R2 Members and officers should continue to work together to ensure a prompt resolution to the outstanding financial issues relating to the dissolution of the previous Air Support Unit with Durham Police Authority and Cleveland Police Authority.</p>

Accounting practice and financial reporting

- 16 I consider the qualitative aspects of your financial reporting. I have no specific issues of concern to draw to your attention.

Use of resources

I am required to consider how well the Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude 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

- 17 The Authority's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised below. I plan to issue a separate report detailing the findings, conclusions and recommendations for discussion with officers.
- 18 In making these judgements for Northumbria Police Authority, we have assessed the arrangements within the Force as well as the Authority's arrangements.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	2

Managing finances

- 19 The arrangements in place for managing finances, including robust financial planning linked to business planning processes, have contributed towards excellent outcomes, for example, successful implementation of neighbourhood management, progress with workforce modernisation, improvements arising from the protective service review, and key decisions taken such as increasing the police officer complement by 110 officers last year.
- 20 Northumbria Police has the lowest crime rate per 1,000 population compared to forces of a similar demography. Latest performance outcomes are that crime has reduced by 2 per cent in 2008/09. Total recorded crime has fallen by over 44 per cent since 1992, one of the largest reductions in the country.
- 21 The percentage of people that think that Northumbria Police do a good job is in the top ten of forces across England and Wales. The force strives to deliver a high standard of service – satisfaction of users with the whole experience is 4th highest in England and Wales.

Use of resources

- 22 The force has one of the highest detection rates in the country at 39.3 per cent (top of comparator group and third nationally). This year the number of anti-social behaviour incidents has fallen by 16.5 per cent, reflecting some of the work undertaken by the Force and its partners.
- 23 The availability of cost comparisons for police services is limited, but Northumbria compares well based on the information that is available. Significant efficiencies have been delivered, and, in addition the Authority is budgeting to pump prime improvements in front line service delivery, to be sustained by efficiency savings over the medium term.
- 24 Financial reporting arrangements are sound. Financial monitoring is effective and the Authority can link its financial decisions to improvements in performance and service outcomes. The arrangements for producing the statutory financial statements are effective. Reporting to the public has improved, but there is scope for further development in this area.

Table 3 Managing finances scores

Area	Score	Overall theme score
KLOE 1.1 Financial planning	3	Level 3
KLOE 1.2 Understanding costs	3	
KLOE 1.3 Financial reporting	3	

Governing the business key findings

- 25 The arrangements for commissioning and procurement are sound, but there is scope for further development in this area. Officers are proactively involved in improving commissioning and procurement, but there is still scope to deliver more outcomes. The delivery of the Authority's estates strategy presents an immediate test to the robustness of the arrangements in place.
- 26 The Force has a strong reputation for data quality, and produces relevant and reliable data and works with partners to ensure the quality of partnership data. An excellent track record demonstrates the commitment to accurate data and its use to drive improvement. IT systems fully support data quality management. A good example of the use of information to improve outcomes, was the use of crime data which indicated a dip in performance in one area command in the autumn of 2008 to take corrective action. The corrective action resulted in performance in the area command dipping by only 1 per cent, whereas the trend when the problem was spotted was a 14 per cent reduction in performance by the year end.

- 27 The Authority and Force have adopted, promoted and demonstrated the principles of good governance. There is a strong ethical framework and culture. In addition to the sound arrangements, there is no evidence of any governance failings. We have recently carried out a Good Governance survey of Members and officers at both the Authority and Force and this reinforces the view that robust governance arrangements are in place.
- 28 Risk management is well developed and there is a strong framework of internal control. There are arrangements in place to prevent and detect fraud and corruption and these appear to be operating effectively.
- 29 There is some scope to improve and better evidence arrangements with partnerships, and there is a need to progress the development of a joint strategic risk register for the Authority and Force.

Table 4 **Governing the business scores**

Area	Score	Overall theme score
KLOE 2.1 Commissioning and procurement	2	Level 3
KLOE 2.2 Data quality	3	
KLOE 2.3 Good governance	3	
KLOE 2.4 Risk management and internal control	3	

Managing resources

- 30 This year's assessment of managing resource is based on workforce alone.
- 31 We found that the Force has significantly improved its approach to workforce with the drive and energy of the new Assistant Chief Officer for HR. Improvements have been made within the HR department and more widely. However, there is still work to do in delivering further improved outcomes and the benefits of the measures taken are still to be fully realised.
- 32 An example of a significant improvement relates to the measures taken to improve attendance management. These have resulted in a 10 per cent reduction in police officer sickness and a 20 per cent reduction in police staff. In addition, occupational health waiting times have reduced by 80 per cent.
- 33 An area where the benefits have still to be fully realised is the workforce modernisation pilot in Sunderland. Some significant improvements in arrangements and potential outcomes have been identified, but these still need to be fully evaluated and rolled out within the Force.
- 34 The economic climate, coupled with the adverse changes in Northumbria Police's share of the police funding formula, emphasise the importance of continuing to deliver significant improvements in workforce management.

Use of resources

Table 5 Managing resources scores

Area	Score	Overall theme score
KLOE 3.1 & 3.2 not assessed for police this year	n/a	Level 2
KLOE 3.3 Workforce	2	

Value for money conclusion

- 35** I assess 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 Table 6 below.
- 36** I intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.

Table 6 VFM criteria 2008/09

VFM criteria	The Authority has met requirements
Financial planning and management	Yes
Understanding costs, performance and efficiencies	Yes
Financial reporting	Yes
Commissioning and procurement	Yes
Data quality	Yes
Good governance	Yes
Risk management and internal control	Yes
Workforce management	Yes

Appendix 1 – Independent auditor’s report to Members of Northumbria Police Authority

Opinion on the financial statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Northumbria Police Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Northumbria Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer’s responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its police pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Appendix 1 – Independent auditor’s report to Members of Northumbria Police Authority

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the police pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the police pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the police pension fund accounting statements and related notes.

Opinion

In my opinion:

- the accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- the police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the police pension fund during the year ended 31 March 2009, and the amount and disposition of the fund’s assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Northumbria Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Steve Nicklin
District Auditor

Audit Commission
Nickalls House
Metro Centre
Gateshead NE11 9NH

September 2009

Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 7

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Short-term investments £121,868k	The face of the balance sheet should reflect the split of investments between short term and long term investments (repayable over one year) Short-term investments Long-term investments			6,682	6,682
Cash (£8,673k)	Cash overdrawn is shown as a credit balance in Current Assets. Cash overdrawn of (£8,810k) should be shown as a Current Liability, and the remaining debit balance of £137k represents Petty Cash Balances Cash Bank Overdraft			8,810	8,810

Appendix 2 – Adjusted amendments to the accounts

Other adjustments

- Officers have amended the note in relation to the Air Support Unit to reflect the dissolution of the previous agreement with Durham Police Authority and Cleveland Police Authority. This amendment was explained in full in Table 1 to this report.
- A note has been added to the financial statements to disclose the joint arrangement with Durham Police Authority and Cleveland Police Authority in respect of the Regional Intelligence Project.
- A post balance sheet note has been added in respect of the impairment of Heritable deposits, but the impact of the disclosure is not significant.
- In addition, a small number of relatively minor amendments were made to the financial statements to correct minor errors, typographical errors and inconsistencies.

Appendix 3 – Unadjusted misstatements in the accounts

The following misstatements were identified during the course of my audit and the financial statements have not been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities. If you decide not to do so, please tell us why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

Table 8

Description of error	Accounts effected	Value of error £ million
<p>Impairment of the Authority's share of the Heritable investment was based on an initial estimate of the Authority's share of the investment as £3.5m rather than the final confirmed share of £5.2m.</p> <p>The consequence of this is that the impairment is understated by £420k.</p> <p>Officers have declined to make an amendment to the statements on the grounds that the adjustment is not material and it has no impact on the General Fund Balance.</p> <p>Officers propose to adjust for this error in the 2009/10 financial statements.</p>	<p>Debit Interest payable and receivable (I&E) net £418k</p> <p>Debit Financial Instrument Adjustment Account £418k</p> <p>Credit Investments £418k</p> <p>Credit Statement on Movement of General Fund Balance £418k</p>	<p>£0.418m</p>

Appendix 3 – Unadjusted misstatements in the accounts

Description of error	Accounts effected	Value of error £ million
<p>£74k in respect of Police Property Act 1997 balances have been removed from the accounts and disclosed in note 47. This should have been included in cash and creditors and excluded from note 47.</p> <p>Officers have declined to make an amendment to the statements on the grounds that the adjustment is not material.</p>	Debit Cash £74k Credit Creditors £74k	£0.074m

Appendix 4 – Draft letter of representation

To: Steve Nicklin, District Auditor

Northumbria Police Authority - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Northumbria Police Authority, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2009.

Compliance with statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the police authority and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within Northumbria Police Authority and the reasons for not correcting these items are as follows:

- The amounts in question are not material to the financial statements
- Government Regulations regarding treatment of impairment calculations in relation to outstanding deposits in Heritable Bank mean that there is no impact on the Authority's General Fund Balance.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the police authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all committee meetings, have been made available to you.

Appendix 4 – Draft letter of representation

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the police authority.

The police authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For each assumption, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require/do not require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no contingent liabilities. In particular:

- there is no significant pending or threatened litigation;
- there are no material commitments or contractual issues; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Resource Management Committee, no significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The police authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Northumbria Police Authority.

Signed

Name	Derek Coates
Position	Treasurer
Date	September 2009

Appendix 5 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2008/09 – Recommendations						
7	R1 Members should either accept officers reasons for not amending the unadjusted errors (and set out the reasons for this in the letter of representation, a draft of which is at Appendix 4) or arrange for the errors to be amended.	3	Authority	Yes	At the Authority meeting on 23 September 2009 Members accepted officers reasons for not amending the accounts and this was set out in the letter of representation.	23 September 2009
10	R2 Members and officers should continue to work together to ensure a prompt resolution to the outstanding financial issues relating to the dissolution of the previous Air Support Unit with Durham Police Authority and Cleveland Police Authority.	3	Authority	Yes		Ongoing

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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