

Annual Audit Letter

Norfolk Police Authority

Audit 2007/08

November 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

Audit of the financial statements

- 1 Norfolk Police Authority (the Authority) approved the financial statements, which were supported by good quality working papers, by the required deadline. I issued an unqualified opinion on the 2007/08 financial statements on 26 September 2008.

Use of resources

- 2 I concluded that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources - the value for money conclusion.
- 3 The Authority's overall use of resources score remained at level 3 with performance assessed as consistently above the minimum requirements. The Authority and Constabulary have improved arrangements for Value for Money.
- 4 Authority reports highlight significant budgetary pressures for 2008-2012. The Authority's 2008/09 budget was subject to a formal capping review by the Secretary of State and spending plans are dependent upon the use of reserves. The Constabulary is pursuing a substantial programme of change, which seeks to deliver benefits for policing throughout the County. However this programme has associated and increasing risks in view of the level of the savings needed to fund new service delivery structures. The Authority will need to exercise continued vigilance to ensure that over the short and medium term savings are fully delivered.
- 5 Norfolk Constabulary's Organisational Development Review has reformed the three former basic command units into one county service delivery unit. The results of this Review continue to be pivotal to the further improvement of performance.
- 6 The Authority is entering into a series of partnerships with neighbouring Police Authorities. There are inherent risks as regards the robustness of the governance, accountability and accounting arrangements for partnership and collaborative initiatives.
- 7 The Authority and Constabulary have appropriate arrangements in place to follow up referrals from the Audit Commission's National Fraud Initiative. Officers have found no evidence of fraud at the Authority from the January 2007 exercise.

Recommendations

Recommendation

R1 I recommend that members should:

- address the areas for improvement identified in our Police Use of Resources Evaluation assessment to enhance further the good level of performance already achieved;
- monitor closely the Authority's financial position, particularly the robustness of anticipated efficiency savings which underpin service delivery plans;
- scrutinise carefully the results of Organisational Development Review to ensure that the anticipated benefits arise as the project progresses throughout 2008/09; and
- obtain assurance as regards the robustness of the governance, accountability and accounting arrangements in relation to the Authority's significant partnership and collaborative initiatives.

Purpose, responsibilities and scope

- 8 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 Constabulary, as well as the Authority.
- 9 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.
- 10 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.
- 11 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.
- 12 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).
- 13 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

- 14 I issued an unqualified opinion on the Authority's financial statements on 26 September 2008.
- 15 Before giving my opinion I reported to those charged with governance, in this case the 25 September 2008 Norfolk Police Authority meeting, on the issues arising from the 2007/08 audit.
- 16 My Annual Governance Report noted the presentational amendments made by management to the financial statements as a result of the audit. The amendments ensured that the Authority's financial statements complied with the Statement of Recommended Practice and covered:
 - additional accounting policies;
 - the income and expenditure account, statement of movement on general fund balances, and pension fund account in respect of accounting for the police pension fund top up grant;
 - investments within the balance sheet; and
 - the cash flow statement.

Whole of Government accounts

- 17 Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. The Authority is required to submit a 'consolidation pack' to The Department for Communities and Local Government and I am required, as your auditor, to undertake a range of procedures and report on the pack.
- 18 The consolidation pack was consistent with the financial statements for the year ended 31 March 2008 and within the required timescale. There are no significant issues to report.

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 (the value for money conclusion); and
- assess how well the Authority and Constabulary manage and use financial resources by providing scored judgements on the arrangements on five specific themes (the Police Use of Resources Evaluation, or PURE, assessment).

Value for Money conclusion

20 I have concluded that the Authority did have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Police Use of Resources scores

21 I assessed the Authority's arrangements on five themes and scored each theme from 1 to 4 (1 = inadequate performance, below minimum requirements), 2 = adequate performance, only at minimum requirements, 3 = performing well, consistently above minimum requirements and 4 = performing strongly, well above minimum requirements). A detailed report supporting the assessment and highlighting areas for improvement was issued to the Authority on 31 October 2008.

Table 1 Police Use of Resources scores

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

(Note: 1 = lowest, 4 = highest)

- 22 The Authority and Constabulary have made further progress this year in consolidating a level of performance consistently above the minimum requirements. The score on value for money has been improved by addressing previous recommendations and improving its monitoring and understanding of costs.
- 23 Members should monitor the implementation of the action plan prepared by officers to address the further improvement opportunities identified in my detailed report.
- 24 The Authority should note that for 2008/09 the use of resources assessment framework is more demanding than previous assessments. The framework:
- is broader in scope, embracing wider resource issues such as people and workforce planning, and the use of natural resources;
 - places more emphasis on considering outcomes for local people; and
 - is based on key lines of enquiry which are more strategic and focus much more explicitly than previously on value for money achievements rather than on processes.

Financial position

- 25 For 2007/08, the Authority reported a net revenue underspend of £0.7 million against a budget requirement for 2007/08 of £131.335 million. Capital expenditure amounted to £5.3 million which was £1.6 million less than the approved programme of £6.9 million. This was mainly due to due to slippage beyond the control of the Authority in respect of the building of Police Investigation Centres.
- 26 Authority reports highlight significant budgetary pressures in the period 2008-2012, arising from expenditure on initiatives including Neighbourhood Policing and Protective Services. The financial plan approved by the Authority for 2008/09 increased council tax by 8.3 per cent and the budget by 5.3 per cent. This led to the Authority's budget being subject to a formal capping review by the Secretary of State.
- 27 As at 31 July 2008, the Authority forecasts a net revenue overspend of £0.240 million against budget for 2008/09, but with some significant overspends on operational expenditure, for example £2 million on the County Delivery Unit. For 2008/09 and future years, the Authority is using earmarked reserves to fund spending activity. In addition, the Constabulary's programme of change has associated and increasing risks in view of the level of the savings needed to fund new service delivery structures.
- 28 Members need to continue to be vigilant to ensure that over the short and medium term these efficiency savings are fully delivered.

Organisational Development Review

- 29 Norfolk Constabulary's Organisational Development Review is aimed at co-ordinating a programme of change focused upon ensuring value for money and a policing framework where communities and customers come first. From 1 April 2008, the three former basic command units have been reformed into one county service delivery unit.

Use of resources

- 30 The results of this review continue to be pivotal to the further improvement of performance. Members will need to scrutinise carefully the results of Organisational Development Review to ensure that the anticipated benefits arise as the project progresses throughout 2008/09.

Partnership working and collaboration

- 31 The Authority is entering into a series of partnerships with neighbouring Police Authorities for a range of services including a partnership with Suffolk Police Authority for the construction of custody centres under a Private Finance Initiative.
- 32 There are inherent risks associated with of partnerships. Members should obtain assurance as regards the robustness of the governance, accountability and accounting arrangements in relation to the Authority's significant partnership and collaborative initiatives.

National Fraud Initiative

- 33 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.
- 34 The Authority and Constabulary have appropriate arrangements in place to follow up referrals from the Audit Commission's National Fraud Initiative. Officers have found no evidence of fraud at the Authority from the January 2007 exercise.

Closing remarks

- 35** This letter has been discussed with the Chief Executive and Treasurer and will be presented to the Scrutiny and Audit Committee on 8 January 2009. 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	17 May 2007
Annual Governance Report	25 September 2008
Opinion on financial statements	26 September 2008
Value for money conclusion	26 September 2008
Use of resources (PURE)	24 November 2008
Annual Audit Letter	24 November 2008

- 37** Members and officers have taken a positive and constructive approach to our audit work. I wish to thank the Authority and Constabulary for their support and cooperation during the audit.

Andy Perrin
 District Auditor
 24 November 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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