

Annual Audit Letter

November 2007



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Hampshire Police Authority

Audit 2006/07

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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. Appointed auditors address their reports to non-executive directors or officers and for the sole use of the audited body. Auditors accept no responsibility to:

- any directors in their individual capacity; or
- any third party.

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Summary

Key messages

- 1 During 2006/07 the Authority and Force have demonstrated good performance in a number of the areas covered by the audit. We gave an unqualified opinion on the Authority's financial statements. Our value for money conclusion was also unqualified, and in our PURE assessment the Authority and Force 'performed well' scoring 3 for four of the five elements.
- 2 Our audit showed that the Authority's and Force's arrangements for data quality and for internal control were where there is most scope for further improvement. We would urge the Authority and Force to focus on these areas.

Data quality

- 3 To improve operational data quality, we recommended that the Authority should formally set out its policy on data quality and that the Force should set and promote data quality standards and targets to drive improvement in data quality across the organisation. In addition, we recommended that the Force improve the understanding of how differing roles across the Force support the production of good data and that it should improve the knowledge of the difference between crime recording standards and charging rules across the Force. The Authority and Force have agreed a detailed action plan to address these operational data quality issues.
- 4 Although there will be no more compulsory external audit reviews of data quality, the Authority and Force have recognised that this is an area to focus on and we will be working more closely with officers this year to help them achieve their improvement agenda.

Internal control

- 5 The areas where the Authority and Force should focus in order to maintain a level '2' score for internal control are shown later in this audit letter. To further improve internal control and attain a higher PURE score we recommended that all appropriate staff are given training and guidance to take responsibility for risk management in their own working environment and that members of the Standards and Governance Committee are provided with training that is relevant to their responsibilities. The Authority could also undertake an assessment of standards of member conduct, including how members are complying with the code of conduct.

Purpose, responsibilities and scope

- 6 This 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 2007. 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. 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. The Authority may also publish it on its website.
- 8 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 (the value for money conclusion); and
 - how well the Authority has managed its resources (the Police use of resources scores).
- 9 We have listed the reports issued to the Authority relating to the 2006/07 audit at the end of this letter.

Audit of the accounts

- 10 I issued an unqualified opinion on the Authority's accounts on 28 September 2007. Before giving my opinion, I reported to the Standards and Governance Committee acting as 'those charged with governance' on the issues arising from the 2006/07 audit.
- 11 The Authority approved its accounts before the statutory deadline of 30 June 2007. The financial statements were well presented, of good quality and supported by comprehensive working papers.
- 12 There was one material adjustment of £10.5 million made to the draft accounts. This related to the accounting treatment of the new Police Pension Fund top up grant. The relevant Police Pension Fund Regulations were not laid before Parliament until 11 July 2007 and therefore the Authority was not able to comply with the guidance in its draft approved accounts.

Whole of government accounts

- 13 Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including police authorities. The Authority is required to submit a 'consolidation pack' based on its statutory statement of accounts and the auditor is required to undertake a range of procedures and report on the pack.
- 14 We have completed the audit of the Authority's whole of government accounts consolidation pack and I issued my opinion on 28 September 2007, confirming that the 'consolidation pack' is consistent with the statutory statement of accounts for the year ended 31 March 2007.

Use of resources

Value for money conclusion

- 15 I have concluded that the Authority did have proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources and therefore issued an unqualified value for money conclusion on 28 September 2007.

Review of police data quality

- 16 As part of our work on the value for money conclusion, we carried out a review of police data quality, covering operational, rather than financial, data quality. We considered whether the Authority has proper arrangements in place to secure the quality of key performance data, and whether these arrangements are being applied in practice. A detailed report supporting the assessment and highlighting areas for improvement was issued to the Authority on 18 June 2007. This report was also shared with the Home Office.
- 17 We have assessed both the Authority's corporate arrangements for ensuring data quality and the Police Authority's role relating to crime recording as 'fair' - an improvement on the 'poor' ratings of last year. In terms of the quality of the data itself, the collection and use of user satisfaction data was assessed as 'excellent' within the Authority and Force but incident and crime investigation data remains 'fair'.
- 18 Progress has been made against last year's recommendations. Senior officers within the Force and Authority have strengthened their commitment to secure integrity and accuracy of crime recording, and to promote quality of service for users and victims. The implementation of agreed actions from the previous data quality reviews is monitored and driven through the Force Crime and Incident Recording Steering Group and Performance Committee.
- 19 The Force has used regular ACPO briefings and widespread publicity to raise the profile of incident and crime recording. The Policing Plan recognised the importance of meeting the needs of users and victims, and this is also raised through the Quality of Service initiative and through training. The Force also has good processes in place to ensure the quality of data from customer satisfaction surveys.
- 20 However, crime data results have not improved since last year's assessment. Although the Force has focused training on improving NCRS compliance and the quality of investigation, the data testing results show that this has yet to have significant impact on performance. The Force recognises that there are performance issues to be addressed especially relating to violent crime, vehicle crime and racial incidents.

Police use of resources scores

- 21 I assessed the Authority's arrangements in five areas and scored each area 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 October 2007, including an action plan to assist the Authority to make further improvements.
- 22 I found that the Authority and Force performed well in four of the areas reviewed and adequately in respect of internal control. The overall results were as follows.

Table 1 Police use of resources scores

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	3 out of 4
Overall assessment to be notified by the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

- 23 I exercised my discretion in arriving at the level 2 assessment for Internal Control as there were some level 2 criteria that the Authority did not meet. These should be addressed by the Authority and Force:
- complete the documentation of organisational risks within risk registers across the Force;
 - require reports to all committees to be reviewed by legal staff prior to being presented to members; and
 - communicate the Authority's and Force's 'confidential reporting procedure' to third parties with whom the Authority/Force is contracting.
- 24 The Police Authority plays an active role in ensuring that the Force achieves effective use of resources, through regular performance monitoring and assessment, and attendance at both corporate and command unit management team meetings.

National Fraud Initiative

- 25 The National Fraud Initiative (NFI) is a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007.

- 26 The Authority has submitted the required data, and has investigated the matches that were identified. The results of the review have been considered by officers and no areas of concern arose.

Closing remarks

- 27 We have discussed and agreed this letter with the Treasurer and the Director of Finance and Resources. We will present this letter to the Chairman of the Finance Committee on 23 November 2007 and then issue it to all members by 30 November. We will also discuss it at the Finance Committee on 11 December 2007.
- 28 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Authority during the year.

Table 2 **Reports issued**

Report	Date of issue
Audit plan	March 2006
Interim audit memorandum (if necessary)	N/a
Report to those charged with governance	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Final accounts memorandum (if necessary)	N/a
Use of resources (phase 1)	July 2007
Use of resources (phase 2)	October 2007
Review of police data quality	June 2007
Annual Audit Letter	November 2007

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

KL Handy
District Auditor

November 2007