

Annual Audit Letter

Hampshire 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 During 2007/08 the Authority and Force have demonstrated good performance in a number of the areas covered by the audit. I gave an unqualified opinion on the Authority's financial statements. My value for money conclusion was also unqualified, and in our Police Use of Resources (PURE) assessment the Authority and Force 'performed well' for each of the five elements assessed.
- 2 My audit showed that the Authority's and Force's arrangements for the effective management of the budget and financial standing were where there is scope for further improvement.
- 3 The Authority and Force should focus on these areas.

Data quality (operational)

- 4 As part of our work on use of resources and the value for money conclusion we carried out a review of progress with the recommendations made in last year's letter. We have noted improvement in data quality arrangements and are currently reviewing developments in the Authority's improvement agenda for data quality. We will report this to a subsequent Authority meeting.

Financial standing

- 5 The Force incurred an unbudgeted deficit on its income and expenditure account in 2007/08 and a small deficit is again forecast in 2008/09. The Force needs to ensure that:
 - day to day budgetary processes are now operating effectively;
 - financial recovery plans designed to deliver financial balance are in place and on track; and
 - further savings opportunities are identified and implemented on a sustainable basis.

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.
- 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 I 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 the 30 September 2008. Before giving my opinion I reported to the Governance Committee acting as those charged with governance on the issues arising from the 2007/08 audit.
- 13 The Authority approved its accounts before the statutory deadline of 30 June 2008. The financial statements were well presented, of good quality and supported by comprehensive working papers. We did not identify any material errors or weaknesses in internal control.

Whole of Government accounts

- 14 Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. The Council is required to submit a 'consolidation pack' to Communities and Local Government and I am required, as your auditor, to undertake a range of procedures and report on the pack.
- 15 I have completed the audit of the Authority's whole of government accounts consolidation pack and I issued my opinion on 30 September 2008, confirming that the 'consolidation pack' is consistent with the statutory statement of accounts for the year ended 31 March 2008.

Use of resources

16 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

17 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 30 September 2008.

Review of police data quality

- 18 As part of our work on use of resources and the value for money conclusion we carried out a review of progress with the recommendations made in last year's letter.
- 19 Action has been taken to reinforce the importance of data quality and data integrity throughout the organisation, including the implementation of a new data quality policy. There has been ongoing work to reinforce roles and skills to support data quality that has been reflected in improvement in Her Majesty's Inspectorate of Constabulary (HMIC) assessments.
- 20 We are currently reviewing the improvement agenda for data quality and will report this to a subsequent Authority meeting.

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, 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.
- 22 I found that the Authority and Force performed well in all five of the areas reviewed subject to the reservation on financial management reported below. The overall results were as follows.

Table 1 Police Use of Resources scores

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

(Note: 1 = lowest, 4 = highest)

- 23 I am pleased to report that the Authority and the Force have implemented many of the key recommendations in my 2007 report relating to internal control and improved performance is evident. In particular, members of the Governance Committee have been provided with specific training relevant to their responsibilities and which builds upon their experience of scrutinising reports. My assessment of the Authority's and Force's performance in this area has changed from adequate in 2007 to performing well this year.
- 24 Although I assessed the Authority's and the Force's financial management arrangements as performing well overall, there were aspects of these arrangements that did not operate effectively during 2007/08 and which contributed to the £3.5m overspend at the year end (1.2 per cent of net expenditure). These were that:
- the Force's financial monitoring reports did not contain profiled budgets which would have enabled managers to respond to its income shortfall in a timely way;
 - the Force's budget monitoring was not sufficiently focused on large, high risk or volatile budgets as the overall system failed to identify the emerging budget gap in sufficient time to take effective action; and
 - in some cases, day to day budget monitoring arrangements at operational command unit level were ineffective in highlighting and containing over spending.
- 25 Management has made improvements in budgetary arrangements to address these concerns and these are starting to have some success. However, these measures alone will not be sufficient to address the underlying financial pressures that the Force currently faces as there is uncertainty about the sustainability of savings plans over the longer term. I am therefore concerned about the financial prospects of the Force in 2008/09 and its prospects for the future.

- 26 The report of the Treasurer and Chief Constable dated the 9 December 2008 to the Finance Committee is forecasting a year end overspend by the Force of £1.8m. This is a welcomed improvement over the position previously reported to the Finance Committee on the 28 September of £3.5m but it is based on the assumption that existing recovery plans remain on track over the remainder of the year and are delivered successfully. The extent to which the budget gap can be further narrowed and eliminated completely depends not only on current financial plans being delivered in full but on the identification and implementation of further savings opportunities by the Force which are capable of being sustained over the longer term.
- 27 I am currently reviewing the Authority's and the Force's financial standing and the action being taken to manage the budget over the remaining part of the year and will present my findings to the Director of Finance and Resources and the Treasurer that they might report to the Authority at the earliest opportunity.

National Fraud Initiative

- 28 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.
- 29 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

- 30 I have discussed and agreed this letter with the Treasurer and the Director of Finance and Resources. I will present the letter to the Chair of the Governance Committee on the 5 December 2008 and I will provide copies to all Authority members. We will also discuss it at the Governance Committee on 19 December 2008.
- 31 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	March 2007
Interim audit memorandum	N/A
Report to those charged with governance	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	October 2008
Use of resources	November 2008
Annual audit letter	December 2008

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- 32 The Authority and Force has taken a positive and constructive approach to our audit. I wish to thank officers for their support and cooperation during the audit.

Kate Handy
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.

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