

Audit Progress

Cleveland Police Authority

Audit 2009/10

March 2010



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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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Introduction

- 1 This update report reflects progress on the external audit of Cleveland Police Authority as at 12 March 2010. This report form an important role in keeping Members of the Audit and Internal Control Panel informed on the progress of the audit.
- 2 The 2008/09 audit has been completed and is now closed.
- 3 We are currently undertaking the 2009/10 audit, and we have also begun to plan the 2010/11 audit.
- 4 The report also informs the Panel of other matters of interest, including promoting the national work undertaken by the Audit Commission, and focusing in on its potential value to the Authority.

2009/10 Audit Progress

Original audit plan

- 5 Our audit plan was set out for the 2009/10 audit in the fee letter presented to the Audit and Internal Control Panel. The fee for the 2009/10 audit was set at £85,780. We have considered this further and there is no need to change this fee level at this stage.
- 6 Our key areas of work for the 2009/10 audit are:
 - the opinion on the financial statements
 - the use of resources assessment and the value for money conclusion.
- 7 We have agreed and will maintain regular liaison arrangements with key officers. This includes a quarterly meeting with the Chief Executive of the Authority. Some of these meetings will include the CAA Lead to ensure that the audit and CAA processes are fully integrated and to avoid duplication. These meetings are very helpful in understanding the Authority's strategic direction and they inform our use of resources assessment and VFM conclusion. We also seek to take on board issues raised by officers in our work.

Opinion on the financial statements

- 8 We will shortly be drafting an Opinion Protocol to be agreed with officers to ensure that the audit of the financial statements is carried out as efficiently and effectively as possible. The aim of the Protocol is to set out our respective requirements and agree a timetable and approach to the work. Initial discussions suggest that the financial statements will be prepared and available for us to audit from the middle of June.
- 9 We have begun our detailed work underpinning the 2009/10 audit opinion. We carry out the audit in accordance with International Standards on Auditing (ISAs), which requires us to carry out a number of procedures to understand the audited body, including the operation of the financial systems that underpin the financial statements. This involves us in assessing materiality, identifying risks, understanding the Authority's risk management arrangements, financial monitoring arrangements and various aspects of the systems of internal control. We also review each material financial system and walk through the significant controls in the system to ensure that it is operating as we would expect.
- 10 This initial work is now almost complete and we are developing our testing strategy. Part of this strategy will be to carry out cyclical controls testing on the financial systems, and part will be to substantively test the financial statements when they have been produced. We will shortly be issuing an Opinion Audit Plan setting out this strategy, and we would expect this to be presented to the next Audit and Governance Committee.

Use of resources and VFM conclusion

- 11 In advance of this years Use of Resources (UoR) work we discussed and agreed with officers the approach and timeframe for this element of our work. Building upon last years experience and learning from it, we have streamlined our information requests by utilising our accumulated knowledge and focusing on risk areas.
- 12 Our work is now almost complete. We have to submit an indicative assessment on 21 April 2010. There are then a series of moderation processes before the final assessment is submitted on 30 July 2010. Following further national moderation, it is expected that the final scores will be reported in the Annual Governance Report in September 2010. The use of resources scores feed directly into the VFM conclusion.
- 13 We have been briefed on a number of areas, and we are particularly interested in following up on:
 - The challenging processes being put in place to identify efficiencies and prepare for the expected cuts in budgets that are faced by all public services
 - Some of the workforce planning issues raised during last years assessment
 - The progress on some of the Authority's major projects (Project I, accommodation strategy, PFI scheme etc)
 - Natural resources, which is a topic we are reviewing for the first time.

2010/11 Audit Planning

Initial thoughts on the 2010/11 audit fee

- 14 We are required to agree the 2010/11 audit fee with the Chief Executive by 30 April 2010. The intention would be to report the 2010/11 fee letter to the Audit and Internal Control Panel at the next available meeting after this.
- 15 We have carried out some initial work to assess the likely quantum of the fee. This suggests a fee for the 2010/11 audit which is at about the same level above scale fee as last year. The Commission has defined the scale fee as:

"The Commission has defined the scale audit fee as the fee required by auditors to carry out the work necessary to meet their statutory responsibilities under the AC Act in accordance with the Code. It represents the Commission's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes."
- 16 In assessing the initial fee we have considered those issues of audit risk at Cleveland Police Authority potentially impacting on our 2010/11 work. This will include:
 - the adequacy of the Authority's response to increasing financial pressure
 - monitoring progress and associated audit risks arising from the proposed PFI schemes
 - review the proposed outsourcing of support services.
- 17 The initial fee is now being subject to internal fee moderation and scrutiny before we can proceed further. We anticipate being able to discuss and agree the fee with officers in April and will report the 2010/11 fee letter to the next Audit and Internal Control Panel.

Other developments including national publications

Introduction

- 18 This section of the report promotes some of the national work undertaken by the Audit Commission. It highlights various areas of interest, some of which may prompt further consideration by officers and / or Members. Specific references to the position at Cleveland Police Authority are highlighted in bold text. There are links to where more information can be obtained on the Commission's website, and a Word version of this section has been provided to officers, so that any officers or Members can follow the links to the information more easily, should they wish to do so.

Protecting the public purse, September 2009

- 19 This report considers the key fraud risks and pressures facing public bodies and identifies good practice in fighting fraud. The report provides an overview of the threats of fraud facing public bodies. It calls on them to urgently reassess their counter fraud plans and to ensure that staff understand, and have faith in, whistle-blowing arrangements. It includes a checklist for those charged with governance.
- 20 Link to Audit Commission website:
http://www.audit-commission.gov.uk/localgov/nationalstudies/Pages/20090915protectingthepublicpurse_copy.aspx

Work programme and scales of fees 2010/11 and indicative fee proposals for 2011/12 and 2012/13, October 2009

- 21 The Commission has consulted on its work programme and scale of fees for 2010/11 and made indicative proposals for 2011/12 and 2012/13. The impact for police authorities, are increases in fee to reflect additional work required for IFRS implementation, but this has been offset by efficiencies and subsidisation of some of the one off costs of the transition to IFRS.
- 22 **Our indicative plan for Cleveland Police Authority is that the fee for the 2010/11 audit will be set at about the same level above scale fee as for 2009/10.**
- 23 Link to Audit Commission website:
http://www.audit-commission.gov.uk/firerescue/audit/methodology/fees/pages/fees201011_copy.aspx

Local government financial management e-learning tool, October 2009

- 24 The Audit Commission has worked with the National School of Government to produce a unique web-based learning scheme on the core skills in financial management for local government. It is flexible, friendly and free to use. It may be of interest to the officers and Members of the Police Authority.
- 25 Link to Audit Commission website:
http://www.audit-commission.gov.uk/firerescue/audit/methodology/Pages/fmskills_copy.aspx

Nothing but the truth, November 2009

- 26 This is a discussion paper drawing attention to the accuracy and reliability of the data underpinning local service delivery. The paper sets out important issues as the basis for discussion on how to ensure data about local public services is fit for purpose. It asks if citizens, along with frontline staff, managers, politicians, central government and local public service regulators, can have confidence in the data they rely on. And if not, what needs to be done about it?
- 27 Link to Audit Commission website:
<http://www.audit-commission.gov.uk/nationalstudies/localgov/pages/nothingbutthetruth.aspx>

Financial management in a glacial age, November 2009

- 28 All public bodies face a difficult and testing future. Commentators widely recognise the recession will increase demands for public services, while after the election financial resources could fall sharply. For some the strains this imposes could be too intense.
- 29 The paper and presentation provide a way to engage senior managers and decision makers on this vital topic. The paper and presentation will help stimulate and facilitate discussions on:
- the potential business risks it faces
 - ways it can recognise the warning signs of financial and wider organisational failure
 - how it can recover and ensure it maintains its position of financial health
 - how it can improve its financial standing.
- 30 Link to Audit Commission website:
<http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/financialmanagementinaglacialage.aspx>

Audit quality reports, November 2009

- 31 The Audit Commission has published two important reports on the quality of the work of its appointed auditors for our stakeholders, which include our sponsoring departments, audited bodies, the wider accounting and auditing profession and other interested parties. Members may recall that hard copies of these reports were distributed at the last Audit and Internal Control Panel meeting in January 2010.
- 32 The first is the Audit Commission's quality review process (annual report November 2009) that summarises the results of our quality review of the work of the audit practice and the firms of private sector auditors that we appoint as auditors to local government and NHS bodies.
- 33 The second is the Audit Practice annual quality report (November 2009) that summarises the results of the quality review of the work of the Commission's own staff as auditors to local government and NHS bodies, including the views of the Audit Inspection Unit that carried out an independent review of our work.
- 34 The publication of the Audit Commission's audit practice annual quality report is one of a range of measures aimed at demonstrating our commitment to delivering audit quality.
- 35 It assures audited bodies and stakeholders about the arrangements in place and the underlying strength of the Commission's audit practice and compares our audit practice with the firms and the other audit agencies.
- 36 Link to Audit Commission website:
<http://www.audit-commission.gov.uk/aboutus/howweareperforming/auditqualityreports/Pages/auditqualityreports.aspx>

CAA results are all in Oneplace, December 2009

- 37 Oneplace, the reporting website for Comprehensive Area Assessment, is now live. The site includes independent information about how councils, police, health services and others are tackling the major issues in every area in England. Visit the site at www.direct.gov.uk/oneplace.
- 38 Brought to you jointly by the Audit Commission, the Care Quality Commission, Ofsted and Her Majesty's Inspectorates of Constabulary, Prisons and Probation, Oneplace provides assessments of performance covering all 152 major areas in England.
- 39 It's the first time that auditors and inspectors from these six organisations have come together to publish their findings, making them directly available to the public in everyday language – a more streamlined approach that has reduced the cost of inspection.
- 40 In Oneplace you can find out how well local services work together to meet both their own priorities and government indicators on, for example, anti-social behaviour and teenage pregnancy.

Auditing the accounts: Quality and timeliness of local government financial reporting, December 2009

- 41 On 17 December 2009, the Audit Commission published an open letter to Secretary of State for Communities and Local Government, John Denham MP, on the quality and timeliness of financial reporting by local government, including a specific report in relation to police authorities.
- 42 Police authorities performed well. Thirty-six authorities (95 per cent) approved their accounts in June with only two authorities (5 per cent) approving their accounts after the statutory deadline. **Cleveland Police Authority did meet the statutory deadlines in relation to its accounts.**
- 43 The report also summarises the results of the new more stringent use of resources assessment undertaken for 2009. Again police authorities performed well nationally with 25 authorities (64 per cent) achieving level 3 performance, and no authorities failing to meet minimum requirements. **Cleveland Police Authority were assessed as Level 2 overall in this assessment.**
- 44 The report highlights two significant challenges facing police authorities:
- The significant financial management challenge to police authorities will be managing the implications of the current economic climate, and the likely reductions in the level of future central government funding
 - the introduction of International Financial Reporting Standards (IFRS).
- 45 Link to Audit Commission website:
http://www.audit-commission.gov.uk/fire/rescue/audit/uor/use-of-resources-200809/Pages/auditingtheaccounts_copy.aspx

Countdown to International Financial Reporting Standards (IFRS), February 2010

- 46 The Audit Commission has prepared a briefing paper following a comprehensive survey of the auditors of all local authorities, fire and rescue authorities and police authorities towards the end of last year. Auditors reported that, in November 2009, only one in seven authorities was 'on track', and one in five was having serious difficulties. All authorities need to make urgent progress now to ensure that they meet the 2010/11 deadline. In this respect, the briefing stresses that implementation of IFRS is not just an accounting issue but has significant implications for the wider organisation. You will want to take steps to ensure that the authority has a robust project plan for the implementation and that there is regular reporting on progress to you, as the relevant member group.
- 47 **The local audit team have also engaged in discussion with officers to discuss progress. Our initial view is that officers have a good awareness of the issues and plans are in place, but that the timetable will be challenging and progress will need to be carefully monitored.**
- 48 Link to Audit Commission website:

<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/financialmanagement/ifrs/Pages/countdowntoifrs.aspx>

Oneplace national overview report, February 2010

- 49 The Oneplace national overview report says that councils, police, the NHS, business and voluntary organisations all need to learn from each other and work more closely together if they are to improve services and increase value for money.
 - 50 The picture across public services is broadly one of improvement, and the report reflects CAA's focus on local priorities, showing a wide variation in what different areas of England consider pressing issues. But it also indicates that there must be a greater focus on achieving better value for money.
 - 51 The report, which is published on 24 February, complements local reporting through the Oneplace website. The report is relevant to the police authority as well.
 - 52 Link to Audit Commission website:
http://www.audit-commission.gov.uk/firerescue/nationalstudies/Pages/oneplacenationaloverview_copy.aspx
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Good practices and case studies to learn from

- 53 Examples of notable practice in fire and rescue services are set out on our website.
 - 54 Link to Audit Commission website:
<http://www.audit-commission.gov.uk/communitysafety/goodpractice/Pages/Default.aspx>
 - 55 Some examples of notable practice in local government may also be of relevance and interest to police authorities.
 - 56 Link to Audit Commission website:
<http://www.audit-commission.gov.uk/localgov/goodpractice/Pages/Default.aspx>
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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

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk