

Annual Audit Letter

Avon and Somerset Police Authority

Audit 2010/11



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Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

Key audit risk	Our findings
Unqualified audit opinion?	Yes
Proper arrangements to secure value for money?	Yes

Audit opinion and financial statements

I issued an audit report, including an unqualified opinion on the financial statements, on 27 September.

The main points arising are that:

- Material changes were made to the financial statements, and supporting notes, following receipt of the external valuer's report on 31 July 2011.
- The Authority decided not to correct one significant, but not material error relating to the non-provision of £1.9 million redundancy costs.
- I have not identified any weaknesses in internal control that might result in a material error in your financial statements.

- The transition to International Financial Reporting Standards (IFRS) was well managed and the quality of the Authority's draft financial statements and working papers were good.

Value for money

I issued an unqualified conclusion stating that the Authority had proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In summary:

- The Authority has a good track record of managing its finances within available resources and has robust plans going forward.
- It has sound arrangements to secure economy, efficiency and effectiveness in its use of resources. This has resulted in continued steady improvement in performance in a number of areas during 2010/11.

Closure of the audit

An objection to the accounts for 2010/11 was received from a local elector. A decision letter, giving my reasons for not upholding the objection, was issued on 27 September allowing me to formally close the audit on the same date that I gave my audit opinion.

Current and future challenges

The Police Authority is facing a number of significant challenges during 2012 and beyond, most of which also similarly affect most or all other police authorities.

Economic downturn and pressure on the public sector

The economic downturn and the impact of the government's comprehensive spending review continue to create financial and operational challenges for all police authorities. A review earlier this year by HMIC found that Avon and Somerset Police Authority, and the Constabulary, were well aware of these challenges and had robust arrangements in place to secure financial resilience and maintain effective services. I reached a similar conclusion on completion of the work to inform my value for money conclusion for 2010/11.

PFI – Accommodation Project

This is a major project for the Authority, and the PFI project is now at an advanced stage. The Authority is waiting for Government review of the final business case and confirmation of the PFI credits before giving final approval for the project. Managing the risks, and maintaining effective governance arrangements, remain key issues.

Preparation for Police and Crime Commissioners (PCCs) – maintaining effective governance during transition period

The Police Reform and Social Responsibility Bill has now become an Act. Police Authorities will be abolished and replaced with directly elected Police and Crime Commissioners (PCCs), to be elected in November 2012 (postponed from May 2012). Police and Crime Panels will hold Commissioners to account on behalf of the public.

Avon and Somerset Police Authority has already established a Transition Board to oversee implementation of the changes. This is expected to help to ensure a smooth transition to the new arrangements.

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which it accounts for its stewardship of public funds.

Overall conclusion from the audit

I issued an audit report including an unqualified opinion on the financial statements.

Material amendments were made by officers to the Movement in Reserves Statement (MIRS), Comprehensive Income and Expenditure Statement (CIES), Balance Sheet, Cash Flow Statement and related notes. The amendments were made to reflect changes to the value of land and buildings at 31 March 2011, following receipt of the valuer's report on 31 July 2011 after the draft financial statements were prepared. The overall increase in asset values was £4.8 million (within this total, the aggregate of individual valuations increased by £11.5 million and decreased by £6.7 million). The amendments were processed promptly by officers and there was no change to the Authority's usable reserves.

The Authority opted not to correct one significant but non-material error, relating to the non provision of £1.9 million redundancy costs. Prior to the 2010/11 financial year end it was announced that the Constabulary intended to close Taunton Communications centre. The process to bring about this change had begun before the end of the financial year, but had not progressed to a position where we could with any accuracy forecast the size of the liability as a result of redundancies. No provision was made for this in the financial statements but a contingent liability was recognised, and funding for this was included within our workforce transformation reserve. I considered that it would have been technically correct to recognise a provision for this liability as at 31st March, and to recognise this provision through the Income & Expenditure Account.

This has been the first time the Authority has prepared its financial statements under IFRS. As with most authorities this has required a significant amount of extra time and effort. The Authority produced a complete set of draft accounts by the 30 June 2011 that were, in the main, compliant with the new requirements; the standard of working papers was again very good. I would like to commend officers for meeting this challenge successfully. I also draw attention to the efforts made by officers to produce a statement of accounts that is particularly accessible to the lay user.

Significant weaknesses in internal control

I identified no control weaknesses in your internal control arrangements that might result in a material misstatement in the financial statements.

Value for money

I considered whether the Authority is managing and using its money, time and people to deliver value for money. I assessed your performance against the two criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Authority has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources. My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The Authority has proper arrangements in place to secure financial resilience. In particular:</p> <ul style="list-style-type: none">■ The 2010/11 budget setting process was comprehensive and included the outcomes from a comprehensive review of all spending. This identified £2.2m worth of savings for 2010/11 and a further £12.4 million of new savings for delivery in 2011/12.■ Financial and corporate planning processes are integrated effectively and established reporting arrangements are in place to monitor savings.■ The Authority has a good track record of managing its finances, with spending contained within available resources, and it has robust plans going forward.■ The savings achieved against the 2010/11 budget have strengthened the Authority's overall financial position at 31 March 2011.■ There is a sound system of internal control, which includes a corporate focus on risk management, an effective audit committee and effective internal audit.

Criterion	Key messages
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2010/11: The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>The Authority has proper arrangements in place for challenging how it secures economy, efficiency and effectiveness. In particular:</p> <ul style="list-style-type: none"> ■ The Authority and Force together have strong leadership, a clear vision for policing and effectively use local public consultation to influence priorities. ■ The Authority and Force consults local people and communities effectively, and this is reflected in continued improvements in the public confidence indicators. ■ Appropriate use is made of benchmarking, and this has been used to secure steady improvements in key areas such as reduced levels of crime and increased detection rates. ■ Procurement benefits are being realised from the arrangements with Southwest One. ■ The Authority and Force are actively engaged in exploring collaborative working arrangements to build capacity and to enhance services.

Closing remarks

I have discussed and agreed this letter initially with the Chief Executive and the Treasurer and then presented this letter in draft to the Performance and Audit Committee on 1 November 2011. I have asked that a copy of the final Annual Audit Letter should be provided to each authority member.

Further detailed findings, conclusions and recommendations in the areas covered by my audit are included in the reports issued to the Authority during the year, as summarised below.

Report	Date issued
Annual Governance Report	27 September 2011
Opinion on the financial statements	27 September 2011
Value for money conclusion	27 September 2011
Certificate of conclusion of the audit	27 September 2011
Whole of Government Accounts – Assurance Statement	30 September 2011
Annual Audit Letter	1 November 2011

The Authority and Force have taken a positive and constructive approach to the 2010/11 audit. I wish to thank staff for their support and co-operation during the audit.

Martin Robinson
District Auditor
November 2011

Appendix 1 - Fees

	Actual	Proposed	Variance
Scale fee	98,050	98,050	0
Fee rebates received during the year (see note below)	-7,369	0	-7,369
Objection to the accounts	3,948	0	3,948
Non-audit work	0	0	N/A
Total	94,629	98,050	-3,421

The audit scale fee of £98,050 included the first year costs of the introduction of IFRS. These costs were paid by the Commission and the Authority received a rebate of £5,899 in April 2010.

The Commission also gave a rebate of 1.5 per cent of the scale fee for police authorities. Based on your audit fee of £98,050, which was set at the scale fee, this would have resulted in a rebate of around £1,470.

An additional fee has been charged for the work required to consider an objection to the 2010/11 accounts received in September 2011. No allowance was included in the scale fee for objection-related work because of its unpredictable nature.

The combined effect of all of the above was to reduce your audit fee for 2010/11 by approximately £3,421 (3.5 per cent).

Appendix 2 - Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Authority on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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