

Annual Audit Letter

Greater Manchester Police Authority

Audit 2007/08

October 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 Our 2007/08 audit of Greater Manchester Police Authority resulted in an unqualified opinion on the financial statements, an unqualified conclusion on the achievement of value for money, and an assessment of 'performing well' in our qualitative evaluation of your use of resources.
- 2 During the past year the Police Authority has been through a process of restructuring designed to better support Members and strengthen policymaking and scrutiny roles.
- 3 The Police Authority has negotiated an innovative precept settlement achieving an above inflation increase and providing medium term stability. This provides the opportunity for strategic investment and growth in areas that would not otherwise be possible. This has been achieved through the support of key Members and Officers throughout the Authority and Force, working in partnership with Authorities throughout Greater Manchester.
- 4 The Authority and Force are therefore well positioned to build on the positive audit assurances that have been provided during the past year. However, they also face new challenges including a new regime for the auditor's evaluation of your use of resources. This approach will apply a harder test, with the Authority and Force needing to demonstrate successful outcomes and achievements if they are to sustain our evaluation of 'performing well'.

Recommendations

- 5 The Authority and Force will benefit from early self-assessment of their performance against the new criteria for the auditor's Use of Resources Evaluation. This will ensure that they identify and address areas of potential weakness and improvement.
- 6 The Authority and Force should enhance their evaluation and reporting arrangements to consider service performance and achievements alongside costs and savings. This would help to contextualise reports and enable Members to consider whether value for money is achieved in achieving objectives and improving performance.

Purpose, responsibilities and scope

- 7 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.
- 8 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.
- 9 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 at www.gmpa.gov.uk.
- 10 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.
- 11 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 Evaluation).
- 12 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

- 13 I issued an unqualified opinion on the Authority's accounts on 26 September 2008.
- 14 Before giving my opinion, I reported to the Statement of Accounts Working Group on significant issues arising from the 2007/08 audit.
- 15 I have also prepared a further report for your officers setting out detailed findings from our audit and appropriate recommendations. The Authority's officers responded to the action plan set out within this report, and I will follow up the recommendations made in my next audit.
- 16 The Authority met all statutory deadlines for the production of the financial statements, and also provided working papers to the auditor in accordance with agreed requirements and timescales.

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 (DCLG) and I am required, as your auditor, to undertake a range of procedures and report on the pack.
- 18 The Authority provided the consolidation pack on a timely basis enabling me to conclude my review and submit the pack to DCLG in accordance with the prescribed timescale.

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. 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

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

21 My conclusion is based on the outcome of audit work looking at each of 12 specific criteria determined by the Audit Commission, as follows:

Table 1 Criteria to inform the auditor's VFM conclusion

The authority has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.
The authority has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.
The authority has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.
The authority has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.
The authority has put in place arrangements to maintain a sound system of internal control.
The authority has put in place arrangements to manage its significant business risks.
The authority has put in place arrangements to manage and improve value for money.
The authority has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.
The authority has put in place arrangements to ensure that its spending matches its available resources.
The authority has put in place arrangements for managing performance against budgets.
The authority has put in place arrangements for the management of its asset base.
The authority has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.

Audit Commission

Use of resources

Review of police data quality

- 22 As part of our work on the value for money conclusion, we carried out a review of police data quality. We considered whether the Authority has proper arrangements in place to secure the quality of key performance data, following up our detailed work in previous years.
- 23 We concluded that there are appropriate data quality arrangements in place for 2007/08. We were pleased to note that the Authority and Force had actioned all recommendations from our previous review.
- 24 We concluded that governance and leadership is good with high level commitment from both the Authority and Force. The Information Management Strategy provides clear corporate objectives in relation to data quality. Use of data in support of performance monitoring is also good.
- 25 The main challenge ahead for the Force and Authority relates to the systems and resources needed to deliver the additional future requirements of the Home Office Statutory Code of practice on the Management of Police Information (MoPI). These challenges are recognised within the Information Management Strategy which should provide a framework through which they can be addressed.

Police Use of Resources Evaluation

- 26 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 October 2008.

Table 2 Police Use of Resources scores

The Authority and Force again performed well against each of the Use of Resources themes, with particularly strong performance on financial standing

Theme	2007/08 Assessment	2006/07 Assessment
Financial reporting	3 out of 4	3 out of 4
Financial management	3 out of 4	3 out of 4
Financial standing	4 out of 4	4 out of 4
Internal control	3 out of 4	3 out of 4
Value for money	3 out of 4	3 out of 4
Overall assessment of the Audit Commission	3 out of 4	3 out of 4

(Note: 1 = lowest, 4 = highest)

- 27 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- We noted that the Authority maintained strong performance in respect of financial standing, and we noted elements of notable performance in other key areas. In particular the way in which the Authority had negotiated a three year precept agreement, providing stability for the medium term financial planning.
 - Police Authority Members provide an effective and proactive role in overseeing effective use of resources.
 - We noted changes to structures, systems and processes in both the Authority and Force which are likely to influence positively our evaluation in future years.
 - We did note that the progress against a number of areas for improvement identified during 2006/07 was limited. In particular, there is scope to be more proactive in the arrangements for ensuring and promoting probity and propriety amongst Members and staff.
 - The Authority and Force are proactively involved in a number of partnerships, but there is scope to improve the way in which these are monitored to clearly demonstrate how the use of partnerships links to the achievement of strategic objectives and represents value for money.

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 Police Force participate in the data matching exercise, and in recent years have actively investigated all matches and referrals, identifying the underlying reasons and confirming that there have been no instances of fraudulent activity identified.

Specific risk-based work

- 30 We also carried out specific pieces of risk-based work as follows.

Community Safety cross cutting review

- 31 We are required to assess the effectiveness of partnership arrangements as part of our Code of Audit Practice, with the findings informing both our use of resources and Direction of Travel judgements. Our risk based planning for 2007/08 highlighted issues throughout the Greater Manchester area around successful delivery of community safety outcomes. In order to reduce duplication, we focused on the impact of alcohol abuse on community safety. This area was receiving minimal coverage by other inspectorates and government departments, as opposed to regulatory activity around crime generally.

Use of resources

- 32 We chose the impact of alcohol abuse as it has a significant and yet sometimes hidden cost and impact on individuals, communities and families. Our approach was to focus on outcomes in the ten Greater Manchester local strategic partnerships and then bring together our findings in order to share good practice and highlight opportunities for improvement.
- 33 Across Greater Manchester, we found that there is a commitment to address the impact of alcohol abuse upon individuals and communities, and this is yielding some success. However, Greater Manchester-wide roles and responsibilities for addressing alcohol misuse are unclear. As a result, there is confusion as to who is taking the lead on alcohol and how interrelated criminal justice and health agendas are being joined together. In addition, opportunities exist to develop a clearer approach for sharing and analysis of data and knowledge.
- 34 Throughout the review, we found that there is scope to better define the activity that should be developed and/or delivered at a Greater Manchester level. This will help to add value to local partnership working by providing a better understanding of the scale of the problem; enhancing the ability to pilot or share good practice; and begin to move investment towards a more preventative approach to avoid escalating alcohol abuse.

Financial Governance Arrangements in Partnerships

- 35 Partnership working can be a highly effective way of achieving key objectives for any organisation. It can also represent value for money, with the potential to achieve more in partnership with others than by working alone.
- 36 However, working in partnership can expose a body to new risks and challenges, and so it is important that objectives, accountability and governance arrangements are clearly specified.
- 37 We performed a review of financial governance arrangements in partnerships to establish the extent to which the Authority and Force were addressing the risks and challenges associated with partnership working.
- 38 We identified many positive examples of partnership working, and embedded working arrangements at a Divisional level. However, there is no overarching record of all partnerships and we highlighted that such a record would help the Force and Authority to incorporate these partnerships in planning to deliver strategic objectives.
- 39 We also highlighted that reporting from partnerships could be enhanced so that Members could be informed as to the extent of partnership working, the costs and contribution by the Force and Authority, together with the successes and other achievements of each partnership.
- 40 The Force and Authority responded positively to our recommendations and are progressing our recommendations with their partners.

Closing remarks

- 41 We have discussed and agreed this letter with the Chief Executive, Chief Constable, the Treasurer and the Director of Finance. We will present the letter at the Audit and Inspection Committee on 12 December 2008 and we will provide copies to all Authority members.
- 42 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 3 Reports issued

Report	Date of issue
Audit plan	March 2007
Review of police data quality	August 2008
Police Use of Resources Evaluation (PURE) interim report	August 2008
Annual Governance Report to those charged with governance	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Review of Financial Governance Arrangements in Partnerships	September 2008
Final accounts memorandum	October 2008
Review of vehicle recovery income	October 2008
Police Use of resources Evaluation final report	October 2008
Annual audit letter	October 2008

- 43 The Authority and Force have taken a positive and constructive approach to our audit and data quality work. I wish to thank officers for their support and cooperation during the audit.

Mick Waite
District Auditor
October 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, covering the £180 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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