

Annual Audit Letter

November 2007



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Greater Manchester 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 This letter summarises the results of my 2006/07 audit of the Greater Manchester Police Authority.
- 2 The Police Authority faced a challenging financial year in 2006/07, needing to identify savings in excess of £14 million in order to set a balanced budget.
- 3 The Authority identified the savings necessary to set a balanced budget, seeking to minimise the impact on front line services. At the end of the financial year, the Authority reduced their General Fund Balance by £1.3 million, and this net budgeted use of balances represented less than 0.2 per cent of their annual gross expenditure.
- 4 Against this challenging backdrop, the Authority and Force have performed well in many areas. Her Majesty's Inspectorate of Constabulary assessed performance of the Force in seven areas and concluded that the performance had improved in four areas, whilst remaining stable in three others. In addition, my assessment of how well the Authority and Force use their resources identified good performance in all areas.
- 5 It is essential that the Authority and Force identify and achieve value for money throughout all of their functions and services, to maximise what can be achieved with their finite resources. There is further scope to improve the link between cost and performance reporting so that the Authority and Force can better evaluate and demonstrate the extent to which value for money is being achieved.

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 financial year ended 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.
- 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 will publish it on its website www.gmpa.gov.uk.
- 9 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).
- 10 I have listed the reports issued to the Authority relating to the 2006/07 audit at the end of this letter.

Use of resources

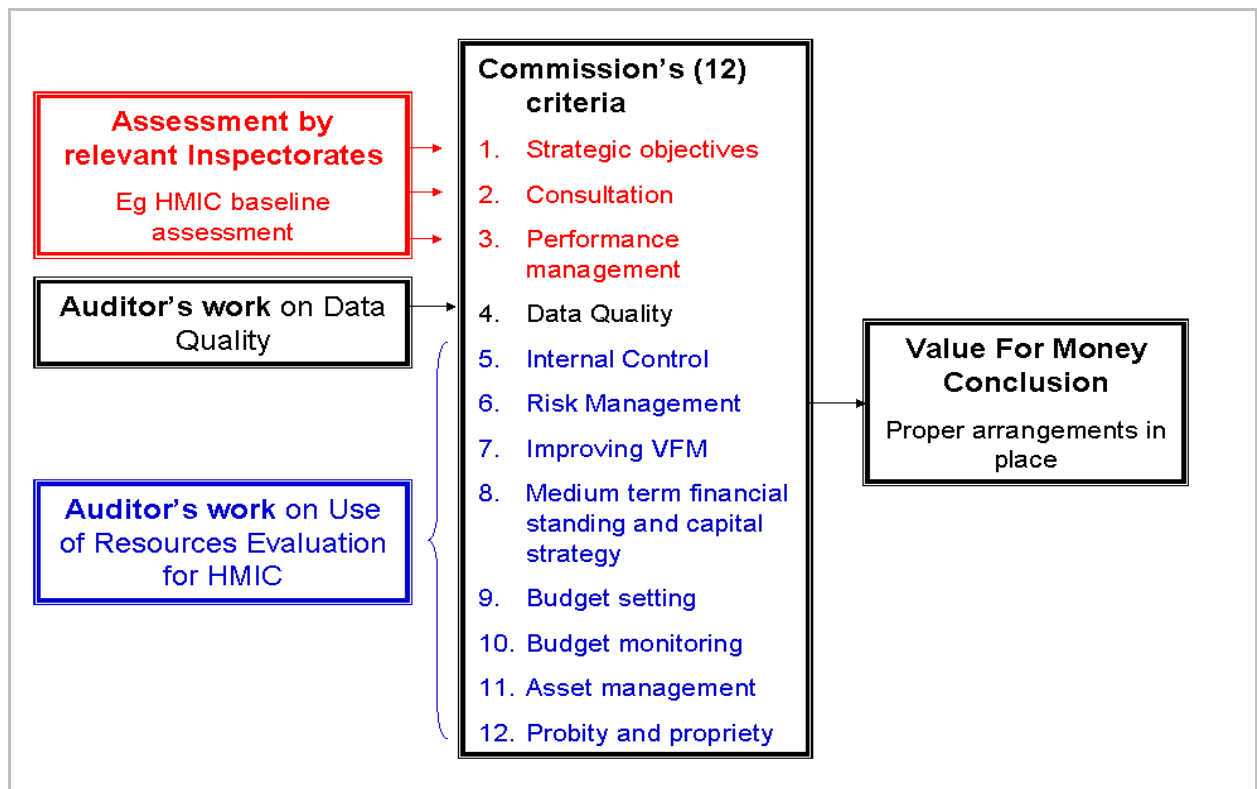
11 I am required to:

- 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 in five specific areas. This is known as the Police Use of Resources Evaluation (PURE).

Value for money conclusion

- 12 I concluded that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.
- 13 This assessment is made against a number of criteria, determined by the Audit Commission. The assessment draws together work undertaken by the auditor, and also takes account of assessments by HM Inspector of Constabulary.
- 14 The following figure illustrates the Commission's criteria, and the work performed to form my assessment.

Figure 1 Value for money conclusion



Source: Audit Commission

Review of police data quality

- 15 As part of my work on the value for money conclusion, I carried out a review of police data quality. I 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 in June 2007.
- 16 My review concluded that arrangements for Data Quality within the Authority and Force were good, and that the Police Authority played an excellent role in the scrutiny and challenge of data.
- 17 My testing of both crime data and user satisfaction data concluded that the accuracy of the data was excellent, with a very low level of errors detected. I was also pleased to note good progress had been made in response to the recommendations from my previous review of data quality.

Police use of resources scores

- 18 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 September 2007 (excluding Financial Reporting) and a final report was issued in November 2007.

Table 1 Police use of resources scores

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	4 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)

- 19 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- 20 The Authority strengthened their financial reporting arrangements. The statements presented for audit contained no material errors, and complied in all significant respects with professional and legislative requirements.

- 21 The Authority also strengthened their arrangements for financial management and maintaining and improving their financial standing. New arrangements were introduced to identify and maximise opportunities for income generation and sponsorship. The Authority and Force continued to operate robust processes for managing their finances, with Members of the Authority providing a good level of challenge. The Authority also demonstrated strong leadership with the former Deputy Chairman of the Police Authority taking an active role in presenting the proposed budgets to other Members.
- 22 My review highlighted that some arrangements put in place following my 2005/06 evaluation had not fully embedded. The Authority need to monitor these arrangements to ensure that they are successfully embedded and result in sustained and improved performance across all areas subject to review. In particular, the Authority need to ensure that Member and Officer awareness of ethical and governance issues are evaluated, and where appropriate strengthened. It is expected that the new Monitoring Officer will take responsibility for overseeing this.
- 23 The Authority needs to ensure that their arrangements for monitoring, assessing and demonstrating value for money are broadened and strengthened. There is scope to expand the use of benchmarking to assess costs and performance, and potential to improve the links between performance and cost reporting to demonstrate how value for money is being achieved. There is also a need to develop a successor to the best value review process, so that the Authority can be assured that services and functions are providing value for money.

National Fraud Initiative

- 24 The National Fraud Initiative 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.
- 25 Greater Manchester Police participates in the initiative and provides information regarding police officers and staff, which is used in the matching exercise. Details of any matches identified by the Commission are reported to the Authority and investigated locally.

Audit of the accounts

- 26 I issued an unqualified opinion on the Authority's accounts on 27 September 2007.
- 27 Before giving my opinion, I reported to the Statement of Accounts Working Group acting as 'those charged with governance' on the issues arising from the 2006/07 audit.
- 28 A small number of required amendments were identified as a result of my audit, and these were all made by the Authority's accountants, and re-approved by the Authority on 14 September 2007.

Whole of government accounts

- 29 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 and the auditor is required to undertake a range of procedures and report on the pack.
- 30 The Authority prepared the pack in accordance with the requirements, and no errors were identified by my audit.

Additional information

Voluntary improvement work

- 31 Under section 35 of the Audit Commission Act 1998, the Commission may undertake voluntary improvement work at the request of the audited body.
- 32 No voluntary improvement work was undertaken during 2006/07.

Certification of claims and returns

- 33 At the current time, grants and claims submitted by the Authority are subject to certification by the Treasurer or Director of Finance, and there is no review or certification required by the auditor.

Closing remarks

- 34 I have discussed and agreed this letter with the Deputy Chief Executive of the Police Authority, the Assistant Treasurer and the Force Director of Finance. I will present the letter at the Audit Committee on 7 December 2007 and will provide copies to all Authority members.
- 35 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
Review of police data quality	June 2007
Use of resources - Interim	September 2007
Report to those charged with governance	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Activity Based Costing - follow up report	October 2007
Final accounts memorandum	November 2007
Use of resources - Final	November 2007
Annual audit letter	November 2007

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

Clive Portman
District Auditor

November 2007