



WALES AUDIT OFFICE
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Annual Audit Letter 2009-10

North Wales Police Authority

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Summary

1. This Annual Audit Letter to members of the North Wales Police Authority (the Authority) summarises the conclusions from my 2009-10 audit. It reports for Authority members the significant issues arising from my audit, together with my comments on other current issues. The work reported upon in the Annual Audit Letter (the Letter) was set out in the agreed 2009-10 Outline Strategy (see Appendix 3).
2. A number of references are made within this Letter to guidance and documentation issued by the Auditor General, including the Code of Audit Practice (the Code). This was relevant to the whole of the audit year and refers to the Statement of Responsibilities of Auditors and Inspectors and of Audited and Inspected Bodies summarising the key responsibilities of auditors. My audit has been conducted in accordance with the principles set out in that Statement. What I say about the results of my audit should be viewed in the context of that more formal background.
3. I adopt a risk-based approach to planning the audit, and my audit work has focused on your significant financial and operational risks that are relevant to my audit responsibilities. The audit work is structured around the key elements of my responsibilities as set out in the Code.
4. From my financial audit work I have concluded that the Authority's resources were, in all material respects, properly used and accounted for in 2009-10 and that:
 - the Authority's accounts were properly prepared and, once amended, were materially accurate;
 - the Authority met its revenue budget for 2009-10, but faces significant financial challenges ahead;
 - the Authority had effective financial management arrangements; and
 - the Authority's significant financial systems were fit for purpose.
5. The Authority had proper arrangements in place during 2009-10 to help it achieve economy, efficiency and effectiveness in its use of resources and has appropriate corporate arrangements in place to support effective use of resources.
6. This Letter has been agreed with the Treasurer and the Director of Finance and Resources and other relevant officers. The Letter will be presented to the Police Authority on 11 February 2011 and a copy provided to every member of the Authority.

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7. I aim to deliver a high standard of audit which makes a positive and practical contribution and supports the Authority's own agenda. I recognise the value of your co-operation and support in achieving this aim, and would like to express my appreciation for the assistance and co-operation provided during the course of the audit.

A handwritten signature in black ink, appearing to read 'A Barrett'.

Anthony Barrett
Appointed Auditor

Date: 6 January 2011

The Authority's resources were, in all material respects, properly used and accounted for

8. The financial statements are an essential means by which the Authority accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources.
9. On 30 September 2010 I issued an unqualified audit opinion on the accounting statements, confirming that they present a true and fair view of the Authority's and the Pension Fund's financial transactions. My report is contained within the Statement of Accounts.
10. The Authority's accounts were properly prepared and, once amended, were materially accurate. The Authority produced and approved its draft financial statements by 30 June 2010, in accordance with the requirements of the Accounts and Audit Regulation (Wales) 2005.
11. I am required by International Standard on Auditing (ISA) 260 to report issues arising from my work to 'those charged with governance' before I issue my audit opinion on the accounts. These issues were reported to the Audit Committee on 29 September 2010 and are summarised in Exhibit 1 below.

Exhibit 1: ISA 260 reporting requirements

Reporting requirement	Auditor's response
Modifications to the auditor's report.	There are no expected modifications to the auditor's certificate and report.
Unadjusted misstatements.	<p>There are no unadjusted misstatements in the financial statements.</p> <p>Although a number of misstatements, including one material omission, were identified as part of the audit, management agreed to amend these in all cases.</p> <p>A schedule of amendments to the draft financial statements was prepared by the Treasurer and presented to the Audit Committee prior to the approval of the accounts.</p> <p>The one material omission related to the failure to accrue the full cost of liabilities under the Police Injury Benefit Scheme of some £38 million.</p>

Reporting requirement	Auditor's response
Material weaknesses in the accounting and internal control systems identified during the audit.	No material weaknesses in the accounting and internal control systems were identified during the audit.
Views about the qualitative aspects of the entity's accounting practices and financial reporting.	One area remains unresolved which relates to the accounting treatment of the Police Authorities of Wales (PAW) a statutory joint committee formed in 2007 representing the four police authorities in Wales. Whilst the sums involved are not material, the Statement of Recommended Practice on Local Authority Accounting (SORP) 2009 requires an agreed share of the income and expenditure assets and liabilities of PAW to be disclosed within the Police Authority's financial statements.
Matters specifically required by other auditing standards to be communicated to those charged with governance.	There are no matters to report.
Any other relevant matters of governance interest relating to the audit.	There are no other relevant matters to report.

12. On 30 September 2010 I issued my opinion on the Authority's accounts. I concluded that the accounts give a true and fair view of the financial position of the Authority as at 31 March 2010 and its income and expenditure, for the year then ended.
13. You were required for 2009-10 to provide an unaudited Whole of Government Accounts (WGA) return to the Wales Audit Office and the Assembly Government by 16 July 2010. The WGA return was completed on time and we have completed our audit of the return. There were no matters of significance to report as a result of our work.

The Authority met its revenue budget for 2009-10, but faces significant financial challenges ahead

14. The Treasurer and Director of Finance and Resources have reported on the revenue and capital budget out-turn for 2009-10. These reports show the Authority to have maintained its good record in keeping its spending plans within the available funding. Revenue spending was broadly in line with the restated budget figures and the underspending on the capital budget will be carried forward to 2010-11, together with the available funding.

15. A report prepared by the Chief Constable on the Force's efficiency plans show some £10.9 million of actual gains to have been accrued to the end of March 2010 with a further £13.7 million of efficiencies planned over the next three years. Underspensing on both the central and devolved Force budgets has allowed an additional contribution of £2.9 million to the Authority's financial reserves. This is as a result of a more cautious approach to spending aimed at strengthening the Authority's overall financial position in anticipation of the difficult funding constraints expected in the immediate future.

The Authority had sound financial management arrangements

16. The Authority has a history of having effective financial management processes in place. In particular, I concluded that:
 - sound systems of internal financial control were being maintained;
 - Internal Audit met all the standards of CIPFA's Code of Practice for Internal Audit in Local Government;
 - proper arrangements were in place to ensure that the Authority only entered into transactions where there was specific provision for it to do so; and
 - the ethical framework of the Authority was found to be operating effectively together with the arrangements for preventing and detecting fraud and corruption.

The Authority's main financial systems were fit for purpose

17. My review of the Authority's financial systems involved documenting the significant financial systems and, where necessary, either undertaking testing of the operation of internal controls or relying on internal audit work for assurances that controls are effective.
18. I concluded that the Authority's main financial systems can be relied upon to produce materially correct outputs. A small number of matters were discussed and agreed with officers to ensure that effective procedures for the operation of financial systems continue. There are no specific matters I need to bring to the attention of members.

The Authority had proper arrangements in place during 2009-10 to help it achieve economy, efficiency and effectiveness in its use of resources

19. In examining the Authority's accounts each year, I am required under Section 17(2)(d) of the Public Audit (Wales) Act 2004 to satisfy myself that it has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This requirement is also reflected in the Code. My formal conclusion on the Authority's value for money (VFM) arrangements for 2009-10 is set out in Appendix 1.

20. In addition to the audit of the annual accounts, other important sources of assurance have come from performance and inspection work undertaken by other agencies including Her Majesty's Inspectorate of Constabulary, Audit Commission and Internal Audit.
21. The Accountable Officer was responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Authority's use of resources. For the purposes of my work, I have evaluated the Authority's systems against a number of questions. This approach is set out in detail in Appendix 2. For each question, I consider whether there are gaps in the arrangements expected to be in place, and the significance of those gaps.
22. There were no matters arising from my work in this area for 2009-10 that I wish to draw to your attention.
23. Additional work is being undertaken on innovation and efficiency. This work will consider whether the 2011+ project and the Authority and Force is adopting effective innovation as a means of improving service delivery against the pressure of rising demand and limited resources. The key messages from the joint Audit Commission, HM Inspectorate of Constabulary and Wales Audit Office study *Sustaining value for money in the police service* will be used to inform our review.
24. I will be meeting with Her Majesty's Inspector of Constabulary to discuss joint working proposals for performance work in 2011.

Appendix 1

Conclusion on North Wales Police Authority's arrangements for the year ended 31 March 2010 for securing economy, efficiency and effectiveness in its use of resources

Accountable Officer's responsibilities	
<p>The Accountable Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Authority's use of resources, and to ensure proper stewardship and governance. The Accountable Officer is also responsible for regularly reviewing the adequacy and effectiveness of these arrangements.</p>	
Auditor's responsibilities	
<p>I have a responsibility under Section 17(2) of the Public Audit Wales Act 2004 to conclude from my audit of the Authority's annual accounts whether I am satisfied as to the existence of the arrangements that it had in place during the year to properly support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources. For the purposes of my work in this area, I have assessed 'proper arrangements' as principally comprising an organisation's corporate performance management and financial management arrangements, significant elements of which are defined in Paragraph 48 of the Code.</p> <p>I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. In carrying out my work, I have not considered whether the arrangements in place represent all those that could be in place. I am also not required to consider, nor have I considered as part of this aspect of my work, the effectiveness of the arrangements in place in securing value for money during the year under review.</p>	
Conclusion	
<p>The following conclusion has been based on, and limited to, work carried out as part of my audit of the 2009-10 accounts to establish, in all significant respects, what arrangements the Authority had in place during the year to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources.</p> <p>In carrying out my work, I have not considered whether the arrangements in place represent all those that could be in place. I am also not required to consider, nor have I considered, the effectiveness of the arrangements in place in securing value for money during the year under review.</p> <p>Based on the Authority's Governance Statement and as a result of the work carried out, as described above as part of my audit of the 2009-2010 accounts, and all other information that I have considered to be relevant, I am satisfied as to the existence of the arrangements that the Authority had in place during the year to properly support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources. Based on, and limited to, the work carried out I have raised various issues with, and made recommendations to, improve the Authority's arrangements. These matters are further discussed and explained in my Annual Audit Letter to the Authority.</p>	
<p>Anthony Barrett Appointed Auditor November 2010</p>	<p>Wales Audit Office Unit 4, Evolution, Lakeside Business Village St David's Park Ewloe CH5 3XP</p>

Appendix 2

Criteria for assessing the Authority's arrangements during 2009-10 for securing economy, efficiency and effectiveness in its use of resources

Corporate performance management and financial management arrangements	Questions on arrangements
Establishing objectives, determining policy and decision making	Has the Authority put in place arrangements for setting, reviewing and implementing its strategic and operational objectives?
Meeting the needs of users, stakeholders and the local population	Has the Authority put in place channels of communication with the local population, users of the service, and other stakeholders including partners, and are there monitoring arrangements to ensure that key messages about services are taken into account?
Monitoring and reviewing performance	Has the Authority 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 the Authority?
Compliance with established policies	Has the Authority put in place arrangements to maintain a sound system of internal control, including those for ensuring compliance with laws and regulations, and internal policies and procedures?
Operational and financial risks	Has the Authority put in place arrangements to manage its significant business risks?
Managing financial and other resources	Has the Authority put in place arrangements to evaluate and improve the value for money it achieves in its use of resources?
	Has the Authority put in place arrangements to ensure that its spending matches its available resources?
	Has the Authority put in place arrangements for managing and monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior management and the Authority?
Proper standards of conduct etc	Has the Authority put in place arrangements for monitoring and scrutinising performance, to identify potential variances against strategic objectives, standards and targets for taking action and, where necessary, reporting to members?
	Has the Authority put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business?

Appendix 3

Delivery of our work

Planned output	Target date	Actual date
Outline Strategy	May 2010	May 2010
Report to those Charged with Governance (ISA260)	September 2010	September 2010
Audit Opinion on the 2009-2010 accounts	September 2010	September 2010
Value for Money (VFM) Conclusion	November 2010	December 2010
Annual Audit Letter	November 2010	December 2010

Note: Completion of the planned Use of Resources assessment was not required this year but the work completed on this was still needed to inform my conclusion on the value for money arrangements.

Appendix 4

Audit fee

The Audit Strategy for 2009-10 set out the proposed audit fee of £82,700 (plus VAT). The table below sets out my latest estimate of the actual fee for 2009-10, on the basis that some performance work remains in progress.

Analysis of proposed and actual audit fee 2009-2010

Code area	Planned fee 2009-2010 (£)	Actual fee 2009-2010 (£)
Financial Accounts	42,169	42,169
Performance	40,531	40,531
Total	82,700	82,700

In addition to the audit fee identified above, there is a further one-off fee of up to £3,570 (plus VAT) to cover our initial review of the Authority's accounting treatment of the St Asaph Police Station Private Finance Initiative Scheme, which was required to be shown on the face of the balance sheet for the first time in the transition to IFRS-based accounts.



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