

# Annual governance report

Hampshire Police Authority

Audit 2011/12



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# Key messages

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**This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

## Financial statements

As at 21 September 2012, I expect to issue an unqualified audit opinion. My work on the financial statements is now substantially complete. Subject to the satisfactory completion of my work, I propose issuing an unqualified audit opinion (Appendix 1). The Authority's draft of the financial statements presented for audit was an improvement on last year. Working papers to support the accounts were comprehensive and both the Authority and Force finance staff were responsive to audit queries.

I have listed all of the amendments which officers have made to the draft statements in appendix 3 so that you can see the improvement on last year. None of the amendments made have changed the total comprehensive income and expenditure or balance sheet totals. There are also two uncorrected errors.

## Value for money (VFM)

I expect to conclude that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources and that there are no matters arising from my VFM work that I need to report.

My review of the Authority's Annual Governance Statement (AGS) did not identify any issues that would impact on my value for money conclusion.

My VFM work relied largely on the work of HMIC (Her Majesty's Inspectorate of Constabulary's). HMIC stated in its feedback this year "In summary, planning for transition is sound and you have a mature approach to assessing and managing the transition process. The commitment of members to ensuring effective governance through to transition is strong, and key decisions have been identified. Stakeholder engagement is also good." It also concluded that the Authority understood the scale of the financial challenge and had considered a full range of options for delivering the required savings. This is confirmed by my own observations.

## Certificate

I expect to complete the outstanding work and report my findings to management by 27 September 2012. I hope to issue my certificate by 28 September 2012.

# Before I give my opinion and conclusion

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**My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.**

## **Independence**

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

In our 2011/12 audit plan, I brought to your attention the following matter. Engagement Leads are normally appointed for 5 years but there is an option to extend for a further two years if the auditor and the Governance Committee are satisfied that there are no risks relating to long association and that this is necessary to safeguard audit quality. 2011/12 was the sixth year of my appointment at the Police Authority. The Director of Audit Policy and Regulation at the Audit Commission and the Authority's Governance Committee approved my extension for 2011/12.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2011/12.

## **I ask the Governance Committee to:**

- take note of the adjustments to the financial statements included in this report (appendix 3) and the uncorrected errors (appendix 2);
- approve the letter of representation (appendix 4), on behalf of the Authority before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 6).

# Financial statements

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**The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.**

## **Opinion on the financial statements**

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

## **Uncorrected errors**

There are two uncorrected errors which are set out in Appendix 2.

## **Corrected errors**

I am required to report to you those corrections made during my audit of your accounts that are, in my opinion, both important and relevant to your oversight of the financial reporting process.

I have carefully considered each of the adjustments made to your financial statements during the audit. I decided I should report all the amendments above my trivial level of £71,000, as this is how I reported last year (Appendix 3). In this way, you can see the improvement that your finance team has achieved in the quality of the draft financial statements. None of the corrected errors has had an impact on the total comprehensive income and expenditure.

## **Significant risks and my findings**

At the 29 March Governance Committee, I set out the significant risks that I identified relevant to my audit of your financial statements in my Audit Plan. In Table 1, I report my findings against each of these risks.

Table 1: Risks and findings

Risk	Finding
<p><b>Pensions payable</b></p> <p>The Authority's pensions administration function was transferred from the previous service provider to Hampshire County Council (HCC) half way through the year in September 2011 due to poor contract performance. The Authority needed assurance over £56.3 million of pensions payable and £19 million of lump sums for the 2011/12 financial year. Weaknesses in the previous service provider's controls meant that a substantive based approach to the audit was required.</p>	<p>Additional substantive work by ourselves and Internal Audit gave us sufficient assurance that these figures were materially correct.</p>
<p><b>Valuation of Alpha Park</b></p> <p>We needed to assure ourselves that the correct valuation and accounting treatment was used for Alpha Park, as the site is yet to be utilised.</p>	<p>We reviewed the valuation and classification of Alpha Park and concluded that it is valued on the correct basis and has been treated correctly in the 2011/12 accounts.</p>
<p><b>Quality of the first set of accounts for audit</b></p> <p>The Authority needed to refocus resources so that the 2011/12 draft financial statements could be subject to a final review before the audit; that the accounts working papers provided a better audit trail; and audit queries were able to be answered more efficiently.</p>	<p>The Authority invested time this year in revising the format of its accounts in line with good practice. As part of our ongoing liaison with finance officers, we held a training session for finance staff on 15 March looking at the production of quality working papers to support the financial statements. We feel that the organisational changes in the finance department benefitted this year's accounts compilation process in terms of the additional resources available as audit queries were answered more efficiently.</p> <p>However, the accounts would benefit from a more thorough final review next year so that inconsistencies between notes to the accounts are minimised, all prior year comparatives are included and the accounting policies disclosed are all appropriate.</p>
<p><b>Heritage Assets</b></p>	<p>I satisfied myself that you appropriately researched whether the Authority had any</p>

Risk	Finding
New requirement to disclose heritage assets in the 2011/12 financial statements.	material heritage assets. I suggested you amended your disclosure to clarify the one heritage asset owned by the Authority and those held by the Constabulary on behalf of the History Society. You made that disclosure.

## Weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that it:

- adequately complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- is consistent with other information that I am aware of from my audit of the financial statements.

The following weaknesses in internal control are only those I have identified during the audit that are relevant to preparing the financial statements.

Table 2: **Internal control issues and my findings**

Description of weakness
<p><b>Unused bank accounts should be closed</b></p> <p>There are 19 NatWest imprest accounts of which only six are actively used. Officers state that many of these accounts are no longer used as they related to a time when the organisation was structured differently. However, as there are balances on each of these accounts we suggest that they are closed.</p>
<p><b>Check that goods are received before invoice authorisation</b></p> <p>Books of the value of £7.3k were ordered as part of a project run by the Metropolitan Police. The goods were delivered to the Metropolitan Police. However, the invoice was sent to Hampshire Constabulary and authorised for payment without a check being made to ensure that the goods had been received.</p>



## Recommendation

### **R1 Closure of unused bank accounts**

The 13 unused NatWest imprest accounts should be closed and the balances transferred to a control account and reallocated.

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### **R2 Check that goods are received before invoices are authorised**

Officers should be reminded that they should check that goods have been received before invoices are authorised for payment.

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## Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

I have no matters I wish to report.

## Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. I cannot start my review until we have a final set of accounts, you have resubmitted your WGA return and the officer responsible is back from leave. This is expected on 17 September. As at 21 September 2012 I have yet to start the procedures specified by the National Audit Office. I hope to complete my report by 28 September but if I am unable to do so I will have to delay the issue of my certificate of closure of the audit.

# Value for money

The Police Reform and Social Responsibility Act received royal assent in September 2011. It abolishes police authorities, replacing them outside London with directly elected police and crime commissioners, to be elected in November 2012. In light of this, the Audit Commission decided that I discharge my responsibilities in respect of value for money by:

- reviewing the Annual Governance Statement (AGS);
- reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on my responsibilities; and
- undertaking risk-based work taking into account guidance from the Audit Commission.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

In my 27 March 2012 Audit Plan I reported to you the significant risks that were relevant to my conclusion. I have set out below the findings of my work addressing each of the risks I identified.

Table 3: **Significant risks**

Risk	Finding	Impact on VFM conclusion
<p><b>Preparation for Police and Crime Commissioner</b></p> <p>Review of the transition arrangements in place and the work of the Transition Board relying on HMIC where we can.</p>	<p>HMIC concludes the Authority is well prepared for the transition. This is confirmed by my own observations.</p> <p>HMIC states in its feedback, of 5 July 2012, that "In summary, planning for transition is sound and you have a mature approach to assessing and managing the transition process. The commitment of members to ensuring effective governance through to transition is strong, and key decisions have been identified. Stakeholder engagement is also good."</p> <p>"You have a clear transition project plan which is being effectively implemented. There is strong project management with a project manager being seconded from the force to improve</p>	<p>Unqualified conclusion appropriate</p>

Risk	Finding	Impact on VFM conclusion
	<p>capacity. The plan is run jointly with the force and details key owners and milestones. The plan is costed with oversight and scrutiny provided through the authority Finance Committee.”</p> <p>“The Authority has identified its key risks and barriers to transition and RAG ratings have been applied accordingly. The risk register has clear links to the transition plan. The risk register is reviewed formally on a monthly basis to ensure risks are properly managed. Mitigating activity has been identified, recorded and tracked to ensure appropriate action is taken. You have identified ten key risks with nine assessed as green and the other as amber. The replacement of the HR system has been flagged as your one amber risk due to concerns being raised over the accuracy for transfer of staff.”</p> <p>“Some workstreams are due to be completed late in September, so slippage is a risk. The force has mitigated this with a dedicated project manager to review these and a process is in place to escalate issues if required to ensure prompt action is taken.”</p>	
<p><b>Financial resilience and the delivery of the Force Change Programme</b></p> <p>Review of the work of HMIC to gain assurance over the savings made to date and the achievability of the future savings.</p>	<p>The Authority is making good progress to date in delivering the savings required.</p> <p>HMIC reported the initial results of its preparedness inspection in July 2011. It concluded that “the Authority understood the scale of the financial challenge and had considered a full range of options for delivering the required savings. At the time of the inspection there was a detailed plan in place for meeting the savings for 11/12 only but good progress was being made in developing plans for later years.”</p> <p>In its follow up review, reported in January 2012, HMIC said “You reported that you have currently realised £13m of the £20m savings required to meet the funding gap in 2011/12 and you are confident that you will meet the funding gap this year. You have costed plans, detailed in the Blueprint Programme, which are designed to meet the funding gap from a number of work strands.</p> <p>You continue to reduce crime and anti social behaviour (ASB). You are exceeding your targets for criminal damage and serious acquisitive crime and although violence with injury continues to be a challenge you are confident of meeting your targets.”</p> <p>In June 2012, the Treasurer reported that “at present, the Authority has identified total savings since the beginning of the CSR period of £48m. The budget reductions of £16m in 2011/12 and</p>	<p>Unqualified conclusion appropriate</p>

Risk	Finding	Impact on VFM conclusion
	<p>£20m in 2012/13 have delivered £36m of the £48m identified. If the remaining £12m is delivered, this should be sufficient to cover the CSR period funding gap. Savings of £7 million in 14/15 have yet to be identified to close the funding gap for that year. “</p>	
<p><b>Joint arrangements and collaboration</b></p> <p>Review of the work of HMIC on how well the Authority and Constabulary is using collaboration with other forces effectively to mitigate risks around service delivery and financial challenges.</p>	<p>The Authority is making progress in further developing its joint arrangements to both improve operational resilience and generate financial savings.</p> <p>HMIC stated in the Valuing the Police Inspection of Jan 2012 that the Blueprint Programme includes a number of work strands “including public service, local policing, serious crime, tasking, coordination and oversight, corporate support, operations, as well as custody and criminal justice. Collaboration features within a number of these work strands.”</p> <p>National and regional collaboration is continuing to be established. You also have a well established ITC collaboration with Thames Valley Police (TVP) and have developed a joint operations unit for call handling and criminal justice with TVP. You are developing joint working further across Hampshire Constabulary, Hampshire County Council and Hampshire Fire and Rescue Service. The business case proposes creating a new joint unit for Human Resources, Finance and Procurement functions with significant potential savings identified and with the opportunity for other functions to join in the future.</p>	<p>Unqualified conclusion appropriate</p>

# Fees

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## I reported my planned audit fee in the 27 March 2012 Audit Plan.

I will complete the audit within the planned fee.

Table 4: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	99,866	99,866
Non-audit work	0	0
<b>Total</b>	<b>99,866</b>	<b>99,866</b>

# Appendix 1 – Draft independent auditor’s report

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## INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF HAMPSHIRE POLICE AUTHORITY

### Opinion on the Authority and Pension Fund accounting statements

I have audited the financial statements and the police pension fund financial statements of Hampshire Police Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The police pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Hampshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer’s Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements and the police pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read

all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Hampshire Police Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

### **Other matters on which I am required to conclude**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am also required by the Audit Commission's Code of Audit Practice to report any matters that prevent me being satisfied that the audited body has put in place such arrangements.

I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, I have considered the results of the following:

- my review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on my responsibilities ; and
- my locally determined risk-based work.

As a result, I have concluded that there are no matters to report.

### **Delay in certification of completion of the audit**

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

[*Signature*]

Kate Handy,

District Auditor  
Audit Commission

Collins House  
Bishopstoke Road  
Eastleigh  
Hampshire  
SO50 6AD

27 September 2012



# Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management have not addressed in the revised financial statements.

		Statement of comprehensive income and expenditure (CIES)		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
<b>1. Plant, Property and Equipment (PPE)</b>	Expenditure cut-off testing identified one invoice for estates professional fees that had been accounted for in 2012/13 but related to expenditure on PPE in 2011/12.			94	94

## Disclosure error

### 2. Absence of an accounting policy on accruals in the Pension Fund

We suggested the Authority should disclose its policy on accruals for pension fund payments

# Appendix 3 – Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

## Primary Statements:

### Item of account and nature of error

#### 1. Balance Sheet: Short-term creditors

Short-term creditors included short-term borrowing of £1.215million which should be separately disclosed in the Balance Sheet in line with good practice. Short-term creditors also included accrued interest repayable of £234k which should be separately disclosed as part of short-term borrowing. This has also been corrected in the Explanatory Foreword and Note 27.

#### 2. Balance Sheet: Grants received in advance

There are £482k of 'grants received in advance' which were included in liabilities but should be separately disclosed on the face of the balance sheet (para 3.4.2.53 of the Code)

## Disclosure errors:

#### 3. Note 8: IAS 19 (Pension Accounting) entries and disclosures

The 'reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code' should only show the amount charged to Surplus/Deficit for the Provision of Services of £193,980k and not the combined charge plus actuarial gains/losses. Note 8 and 15 incorrectly included £29.116million of Pension Top Up Grant for 11/12 and £19.893 million for 10/11 whereas it should only include actual employers contributions for both 11/12 and the 10/11 comparative figures. The actuarial gains and losses were also incorrectly overstated by the Top Up grant.

#### 4. Note 20: Property, Plant and Equipment

Note 20 has been revised as assets, primarily land and buildings (L&B) were incorrectly disclosed. Downward revaluations had been incorrectly deducted from depreciation rather than Gross Book value. Correctly disclosing the revaluations has involved reducing the gross book value for L&B by £27.703 million for 10/11 and by £10.046 million for 11/12 and this also impacts on a number of other lines in the note. There is no impact

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on the Balance Sheet.

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#### **5. Note 30: Cash and cash equivalents**

The Euro account, containing £855k, was included in the bank overdraft instead of the current bank account line.

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#### **6. Note 36: Contingent liabilities**

The Home Office has provided additional information to the Police Authorities and this has resulted in the wording of the contingent liability disclosure changing.

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#### **7. Inconsistencies between notes to the accounts**

We identified a number of inconsistencies between figures in the various notes to the accounts which have been corrected.

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#### **8. Inclusion of a note on intangible assets**

A paragraph on intangibles has been included in note 20

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#### **9. Additional disclosure in the Annual Governance Statement to fully reflect the “Good Governance” guidance**

The Authority has now included greater detail in its annual governance statement to reflect this guidance:

##### 1) Governance Framework

- Developing, communicating and embedding codes of conduct, and defining the standards of behaviour for members and staff
- Reviewing and updating Standing Orders, SFIs, Scheme of Delegation etc
- Whistleblowing and for receiving and investigating complaints from the public
- Identification of development needs of members and senior officers
- Establishing clear channels of communication with all sections of the community and stakeholders

##### 2) Review of Effectiveness

- a comment on the result of the effectiveness review and what is being done about any issues identified

##### 3) Significant Governance Issues

- A specific statement that there are no significant governance issues has been included.
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# Appendix 4 – Draft letter of management representation

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## **Hampshire Police Authority – Audit for the 2011/12 financial year, period ended 31 March 2012**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Hampshire Police Authority, the following representations given to you in connection with your audit of Hampshire Police Authority's financial statements for the 2011/12 year ended 31 March 2012. All representations cover the Authority's accounts, and police pension fund accounts included within the financial statements.

### **Compliance with statutory authorities**

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements, as set out in the CIPFA/LASACC Code of Practice on Local Authority Accounting in the United Kingdom, which gives a true and fair view of the financial position and financial performance of the Authority and for making accurate representations to you.

### **Uncorrected misstatements**

I confirm that I believe that the effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate, and the reasons for not correcting these items are as follows;

- *reason 1*
- *reason 2*

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including the minutes of all Authority meetings, have been made available to you.

### **Going Concern**

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

### **Irregularities**

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and

#### **Law, regulations, contractual arrangements and codes of practice**

There are no instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, likely to have an effect on the finances or operations of the Authority

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been non non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

#### **Accounting estimates including fair values**

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

For these assumptions, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require/do not require adjustment to accounting estimates and disclosure included within the financial statements.

#### **Compensating Arrangements**

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

#### **Contingent Liabilities/Assets**

There are no other contingent liabilities or contingent assets, other than those that have been recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements;
- no financial guarantees have been given to third parties.

### **Related party transactions**

I confirm that I have disclosed the identity of Hampshire Police Authority related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

### **Subsequent events**

Since the date of approval of the financial statements, no significant subsequent events have occurred which would require additional adjustment or disclosure in the financial statements.

The Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### **Specific representations**

I confirm that I have disclosed all the Authority's bank accounts to you.

Signed on behalf of Hampshire Police Authority

I confirm that this letter has been discussed and agreed by the Governance Committee on 21 September 2012

Signed

Name

Position

Date

# Appendix 5 – Glossary

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## **Annual Audit Letter**

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

## **Annual Governance Report**

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

## **Annual Governance Statement**

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

## **Audit of the accounts**

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

## **Audited body**

A body to which the Audit Commission is responsible for appointing the external auditor.

## **Auditing Practices Board (APB)**

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

## **Auditing standards**

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

**Auditor(s)**

Auditors appointed by the Audit Commission.

**Code (the)**

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

**Commission (the)**

The Audit Commission for Local Authorities and the National Health Service in England.

**Ethical Standards**

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

**Financial statements**

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

**Group accounts**

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

**Internal control**

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

**Materiality**

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement



within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

### **Significance**

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

### **Those charged with governance**

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

### **Whole of Government Accounts**

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

# Appendix 6 – Action plan

## Recommendations

### Recommendation 1

#### Closure of unused bank accounts

The 13 unused NatWest imprest accounts should be closed and the balances transferred to a control account and reallocated.

<b>Responsibility</b>	Head of Finance
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<b>Priority</b>	Low
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<b>Date</b>	30 September 2012
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<b>Comments</b>	Agreed
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### Recommendation 2

#### Check that goods are received before invoices are authorised

Officers should be reminded that they should check that goods have been received before invoices are authorised for payment.

<b>Responsibility</b>	Head of Finance
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<b>Priority</b>	Low
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<b>Date</b>	30 September 2012
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<b>Comments</b>	Agreed
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