

Annual Audit Letter

Northumbria Police Authority

Audit 2008/09

November 2009



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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.
-

Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the 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.

Audit Opinion

- 1 I issued an unqualified opinion on the 2008/09 financial statements.
-

Financial Statements

- 2 My view remains that the financial statements continue to be of a high standard and are well supported by working papers.
 - 3 A small number of errors were amended as a result of our audit. Two non-material errors were not amended. Members confirmed that they did not wish to amend these errors because they were not material to the financial statements, and they had no impact on the General Fund Balance.
-

Value for money

- 4 I issued an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.
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Actions

- 5 Recommendations are reflected within the body of this report and have been agreed with the Authority.
-

Independence

- 6 The audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.
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Financial statements and annual governance statement

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

Significant issues arising from the audit

- 7** I issued an unqualified opinion on the financial statements. Once again, officers were helpful and responsive to the queries we raised, and I appreciate the assistance that was provided in enabling us to undertake our audit work effectively. My view remains that the financial statements continue to be of a high standard and are well supported by working papers.
 - 8** A small number of errors were amended as a result of our audit. Two non-material errors were not amended. Members confirmed that they did not wish to amend these errors because they were not material to the financial statements, and they had no impact on the General Fund Balance.
 - 9** My Annual Governance Report set out the areas where we evaluated the action taken by the Authority. The main area for further action was our recommendation that Members and officers should continue to work together to ensure a prompt resolution to the outstanding financial issues relating to the dissolution of the previous Air Support Unit with Durham Police Authority and Cleveland Police Authority.
 - 10** I also noted the latest position relating to the Authority's deposit of £5.2m with Heritable, a wholly owned UK subsidiary of Landsbanki, an Icelandic bank. The creditor progress report issued by the administrators Ernst and Young in April 2009 outlined that the return to creditors was projected to be 80p in the £ by the end of 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. In the event, a first dividend of 16.13p in the pound was received from the administrators in August 2009, along with a notification of the intention to pay a further 10p in the pound in December 2009. The prospects for recovery are therefore promising.
-

Material weaknesses in internal control

- 11** I did not identify any material weaknesses in the Authority's control arrangements.
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Accounting Practice and financial reporting

- 12** I considered the qualitative aspects of the Authority's financial reporting and I had no specific issues of concern to draw to your attention.
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Value for money and use of resources

I considered how well the Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 13** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 14** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 15** The Authority's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	2

-
- 16** Northumbria Police Authority's overall use of resources score notified by the Audit Commission is level 3, exceeds minimum requirements - performs well.
- 17** Within the detailed assessment of eight key lines of enquiry, there were six level 3 scores and two level 2 scores. The level 2 assessments were in respect of commissioning and procurement and workforce. In both of these areas, the Authority and Force have plans to deliver improvement.

- 18** Northumbria Police has achieved excellent performance levels, with relatively low crime levels, high detection rates and good customer satisfaction.
- 19** However, the current economic climate is difficult and tight financial settlements can be expected in future. This, together with the adverse changes in Northumbria Police's share of the police funding formula, emphasise the importance of continuing to deliver significant improvements. The challenge for the Authority is to continue to identify savings and efficiencies, to refocus resources into priority areas, and generally deliver better outcomes using fewer resources.
- 20** The Force has significantly improved its approach to workforce planning but there is still work to do in delivering outcomes. There is also scope to improve arrangements with partners and to progress the development of a joint strategic risk register for the Authority and Force.
- 21** A summary of our findings against each theme are set out in Appendix 1.

VFM Conclusion

- 22** I assessed the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out below.

Table 2 VFM criteria 2008/09

VFM criteria	The Authority has met requirements
Financial planning and management	Yes
Understanding costs, performance and efficiencies	Yes
Financial reporting	Yes
Commissioning and procurement	Yes
Data quality	Yes
Good governance	Yes
Risk management and internal control	Yes
Workforce management	Yes

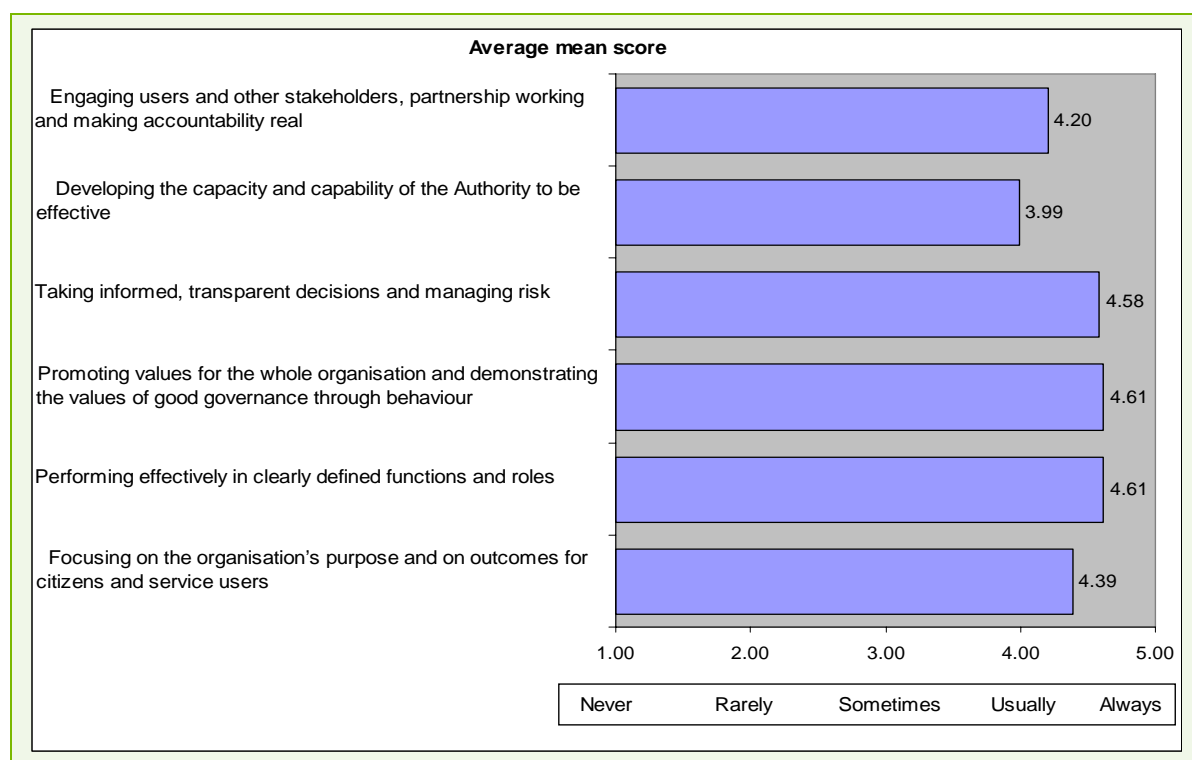
- 23** I issued an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Value for money and use of resources

Local risk work

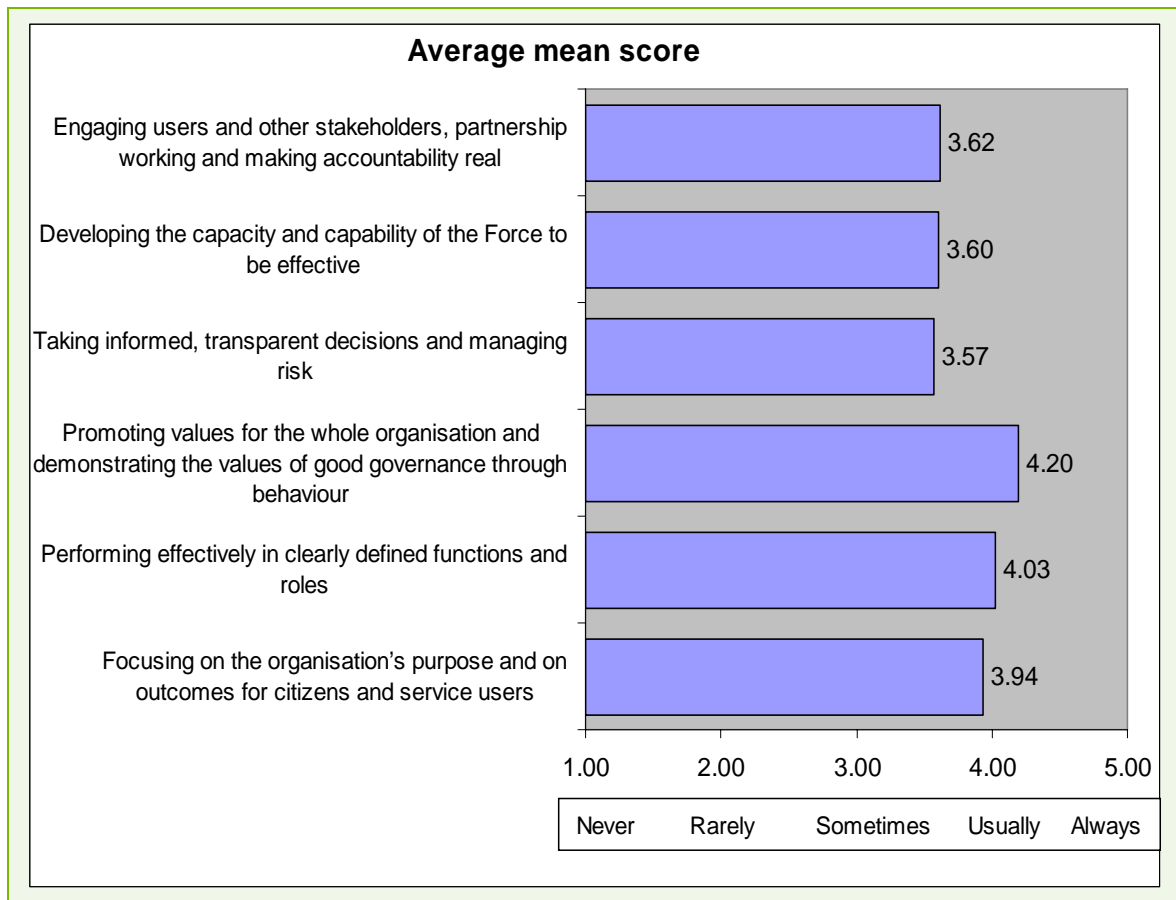
- 24** We undertook a Good Governance survey as part of this year's audit. The aim was to build upon the work carried out in use of resources assessments which indicated that the Authority and Force does have good governance arrangements in place.
- 25** The survey provided an opportunity to assess the extent to which Members, and senior officers of the Authority and the Force are aware of the framework, fully understand it and their part in it and whether it is perceived to be working in practice. There were two separate surveys, one for the Authority and one for the Force.
- 26** The Authority survey was completed in May to July 2009, and was sent to 21 people, including members and senior Authority officers. There were 15 respondents (10 Members and five officers), a response rate of 71.4 per cent.
- 27** The responses were positive overall as seen in Figure 1. More detailed survey feedback is included in our separate report, and our findings were considered by the Authority in October 2009.

Figure 1 Authority Summary - average responses for the six themes in the survey



- 28 The Force survey was completed in May 2009, and was sent to 96 senior police officers and senior staff across the Force (including chief officers) and was completed by 56 respondents, a response rate of 58 per cent.
- 29 This survey provided a snap shot of the perception of governance arrangements within the Force. These results were also generally positive, although less positive than the Authority survey, and are summarised in Figure 2 below. More detailed survey feedback is included in our separate report, and our findings were considered by the Authority in October 2009.

Figure 2 Force Summary - average responses for the six themes in the survey



Closing remarks

- 30** I have discussed and agreed this letter with the Chief Executive, Treasurer and Chief Constable and it will be presented to the Authority meeting in December 2009 where copies will be provided to all members.
- 31** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Authority during the year.

Table 3 **Reports issued during the audit**

Report	Date issued
Audit plan	May 2008
Review of Internal Audit	June 2009
Interim opinion work (letter)	June 2009
Information systems risk assessment (letter)	June 2009
Supplementary opinion plan (letter)	July 2009
Good governance - results of the Force survey	August 2009
Good governance - results of the Authority survey	August 2009
Annual Governance Report	September 2009
Opinion on the financial statements	September 2009
VFM conclusion	September 2009
Use of resources report	November 2009
Annual Audit Letter	November 2009

32 Our actual audit fee is the same as the original fee agreed in May 2008.

Table 4 Audit fee

	Actual	Proposed	Variance
Financial statements and annual governance statement	68,300	68,300	0
Value for money	28,100	28,100	0
Total audit fees	96,400	96,400	0
Non-audit work	0	0	0
Total	96,400	96,400	0

33 The Authority and Force have taken a positive and constructive approach to our audit. I wish to thank the Authority and Force's staff for their support and co-operation during the audit.

Steve Nicklin
District Auditor
November 2009

Appendix 1 – Use of resources key findings and conclusions

- 1 The following pages summarise the key findings and conclusions for each of the three use of resources themes.
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Managing finances

- 2 The arrangements in place for managing finances, including robust financial planning linked to business planning processes, have contributed towards outcomes, for example, successful implementation of neighbourhood management, progress with workforce modernisation, improvements arising from the protective service review, and key decisions taken such as increasing the police officer complement by 110 officers last year.
- 3 Northumbria Police has the lowest crime rate per 1,000 population compared to forces of a similar demography. Latest performance outcomes are that crime has reduced by 2 per cent in 2008/09. Total recorded crime has fallen by over 44 per cent since 1992, one of the largest reductions in the country.
- 4 The percentage of people that think that Northumbria Police do a good job ranks in the top ten of forces across England and Wales. The Force strives to deliver a high standard of service - satisfaction of users with the whole experience is fourth highest in England and Wales.
- 5 The Force has one of the best detection rates in the country at 39.3 per cent (top of comparator group and third nationally). This year the number of anti-social behaviour incidents has fallen by 16.5 per cent, reflecting some of the work undertaken by the Force and its partners.
- 6 The availability of cost comparisons for police services is limited, but Northumbria compares well based on the information that is available. Significant efficiencies have been delivered, and, in addition the Authority is budgeting to pump prime improvements in front line service delivery, to be sustained by efficiency savings over the medium term.
- 7 Financial reporting arrangements are sound. Financial monitoring is effective and the Authority can link its financial decisions to improvements in performance and service outcomes. The arrangements for producing the statutory financial statements are effective. Reporting to the public has improved, but there is scope for further development in this area.

Table 5 Managing finances scores

Area	Score	Overall theme score
KLOE 1.1 Financial planning	3	Level 3
KLOE 1.2 Understanding costs	3	
KLOE 1.3 Financial reporting	3	

Governing the business

- 8 The arrangements for commissioning and procurement are sound, but there is scope for further development in this area. Officers are proactively involved in improving commissioning and procurement, but there is still scope to deliver more outcomes. The delivery of the Authority’s estates strategy presents an immediate test to the robustness of the commissioning and procurement arrangements in place.
- 9 The Force has a strong reputation for data quality, and produces relevant and reliable data and works with partners to ensure the quality of partnership data. Its track record demonstrates the commitment to accurate data and its use to drive improvement. IT systems fully support data quality management. A good example of the use of information to improve outcomes, was the use of crime data which indicated a dip in performance in one area command in the autumn of 2008 to take corrective action. The corrective action resulted in performance in the area command dipping by only 1 per cent, whereas the trend when the problem was spotted was a 14 per cent reduction in performance by the year-end.
- 10 The Authority and Force have adopted, promoted and demonstrated the principles of good governance. There is an effective ethical framework and culture. In addition to the sound arrangements, there is no evidence of any governance failings. We have carried out a Good Governance survey of Members and officers at both the Authority and Force and this reinforces the view that robust governance arrangements are in place.
- 11 Risk management is well developed and there is a sound framework of internal control. There are arrangements in place to prevent and detect fraud and corruption and these appear to be operating effectively.
- 12 There is some scope to improve and better evidence arrangements with partnerships, and there is a need to progress the development of a joint strategic risk register for the Authority and Force.

Table 6 Governing the business scores

Area	Score	Overall theme score
KLOE 2.1 Commissioning and procurement	2	Level 3
KLOE 2.2 Data quality	3	
KLOE 2.3 Good governance	3	
KLOE 2.4 Risk management and internal control	3	

Managing resources

- 13** This year’s assessment of managing resource is based on workforce alone.
- 14** We found that the Force has significantly improved its approach to workforce planning. Improvements have been made within the Human Resources Department and more widely. However, there is still work to do in delivering further improved outcomes.
- 15** One significant improvement relates to the measures taken to improve attendance management. These have resulted in a 10 per cent reduction in police officer sickness and a 20 per cent reduction in police staff. In addition, occupational health waiting times have reduced by 80 per cent.
- 16** An area where the benefits have still to be fully realised is workforce modernisation. A pilot in Sunderland demonstrated the scope for some significant improvements in arrangements and potential outcomes, but how the beneficial changes could be rolled out within the Force requires further consideration.
- 17** The economic climate, coupled with the adverse changes in Northumbria Police’s share of the police funding formula, emphasise the importance of continuing to deliver significant improvements in workforce management.

Table 7 Managing resources scores

Area	Score	Overall theme score
KLOE 3.1 Sustainability	Not assessed this year	Level 2
KLOE 3.2 Asset Management	Not assessed this year	
KLOE 3.3 Workforce	2	

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, auditing the £200 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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