

Police Use of Resources Auditor Feedback Report

Northumbria Police Authority

Audit 2006/07

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Introduction

- 1 This report presents the results of the 2006/07 Police Use of Resources Evaluation (PURE) at Northumbria Police Authority. As the Audit Commission's Appointed Auditor to the Police Authority, we undertook this review in two phases, during the period March to May 2007 for phase 1, and from July to September 2007 for phase 2, as part of our responsibility to examine the economy, efficiency and effectiveness of the Authority's use of resources under section 5(1)(e) of the Audit Commission Act 1998.
- 2 We have completed our review in accordance with the methodology and guidance issued by the Audit Commission (the Commission). The results have been subject to internal and national quality control arrangements, designed to ensure compliance with the methodology and guidance, and to promote consistency.
- 3 This report summarises the approach taken and the results of the assessment. It also highlights areas for improvement based on the criteria issued by the Commission.

Approach and scoring

- 4 The PURE assessment enables auditors to form judgements on the Police Authority and Force arrangements to secure effective use of resources across the five themes of financial reporting, financial management, financial standing, internal control and value for money.
- 5 Each theme consists of a number of key lines of enquiry (KLOEs) and areas of audit focus and evidence. There are also descriptions of performance against each key line of enquiry showing performance at levels 2, 3 and 4. These translate into the following judgements:
 - 1 = below minimum requirements – inadequate performance;
 - 2 = only at minimum requirements – adequate performance;
 - 3 = consistently above minimum requirements – performing well; and
 - 4 = well above minimum requirements – performing strongly.
- 6 The Commission will determine the overall use of resources score by combining the Auditor's separate scores for each of the themes covered.
- 7 In forming our assessment, we need to take into account requirements of the methodology that is set out in the PURE guidance to auditors and briefings to Police Authority Treasurers and Force Finance Directors issued in February 2007. This is the second year in which auditors have undertaken PURE and the key principles for 2006/07 is one of a risk based and proportionate refresh from 2005/06, where Auditor judgements and assessments are based on:
 - key changes to the KLOE criteria referred to in police authority guidance;
 - actions by police authorities and forces to address improvement opportunities identified in the 2005/06 PURE assessment and, where relevant, additional HMIC recommendations linked to the 2005/06 baseline assessment on finance and resources;
 - to support scores of 3 and above, considering whether relevant arrangements are 'embedded'. That is, they have been operating consistently with clear outputs and are having an impact; and
 - for scores of 4 (performing strongly) considering whether, in addition to meeting the descriptors/criteria, police authorities can demonstrate innovation or best practice that can be shared with others.

Summary of scores for Northumbria Police Authority

- 8 The score for each theme (and each KLOE) is summarised below, together with comparative judgements for 2005/06. The next section of this report provides key messages, strengths and areas for improvement across the Police Authority and Force and by theme level.
- 9 The Authority and Force have improved since our 2005/06 assessment. There are improved theme scores for financial standing, reflecting improvements in the Medium Term Financial Strategy and annual budget, and in value for money, reflecting the very high levels of performance coupled with comparatively low costs.

Table 1 Northumbria Police Authority - summary of use of resources scores by theme and KLOE

Northumbria Police Authority has improved in its use of resources

	Theme and key line of enquiry	2006/07 KLOE score	2005/06 KLOE score
	Financial reporting		
1.1	• Annual accounts.	3	4
1.2	• Promotion of external accountability.	3	3
	Theme score	3	4
	Financial management		
2.1	• Medium Term Financial Strategy and capital programme.	4	3
2.2	• Management of performance against budgets.	3	3
2.3	• Management of the Authority's and Force's asset base (including their estate and vehicle fleet) and their IM&T service.	3	2
	Theme score	3	3
	Financial standing		
3.1	• Management of spending within available resources.	4	3
	Theme score	4	3

	Theme and key line of enquiry	2006/07 KLOE score	2005/06 KLOE score
	Internal control		
4.1	• Management of significant business risks.	3	2
4.2	• Maintenance of a sound system of internal control.	3	3
4.3	• Arrangements to ensure probity and propriety.	3	3
	Theme score	3	3
	Value for money		
5,1	• Achievement of VFM.	4	3
5.2	• Management and improvement of VFM.	3	3
	Theme score	4	3

Source: Audit Commission

- 10 The financial reporting score decreased from performing strongly, but is still a good achievement overall.

Key messages and actions for the Police Authority

- 11 This summary sets out key findings; both overall for the Police Authority and Force and in relation to each theme, summarising strengths and areas for improvement.

Overall messages

- 12 The Authority and Force perform well overall and are consistently above minimum standards across all areas of the use of resources assessment, and are performing strongly in some areas. There have been improvements in several areas and we have identified several areas of notable practice. A detailed summary of our findings is given in the next section of this report. This section sets out key findings in relation to each theme.
- 13 Financial reporting is assessed as performing well. Working papers supporting the 2006/07 financial statements were comprehensive and well evidenced, and the statements were free from significant error. The Authority's website has been improved to promote external accountability.
- 14 Financial management is assessed as performing well. The Authority's Medium Term Financial Strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities. We have recommended the Medium Term Financial Strategy as notable practice. There is evidence of very effective joint working between the Authority and the Force and arrangements to manage the asset base have improved.
- 15 Financial standing is assessed as performing strongly. The Authority has comprehensively addressed the issues raised last year to improve the Medium Term Financial Strategy and to review reserve levels and their planned utilisation as part of the annual budget and council tax level considerations.
- 16 Internal control is assessed as performing well. The Authority and Force's risk management arrangements have been further embedded in the performance management framework, with risk registers in place. There is a sound system of internal control and good standards of probity and propriety.

- 17 Value for money is assessed as performing strongly. Northumbria is one of the best performing police forces. On most measures, the Force's performance is best in its group of Most Similar Forces (MSF). As well as comparing well with the MSF group, the Force has also achieved year on year improvement in many areas, a considerable achievement given the already high levels of performance. Using comparative data for 2006/07, costs compare well with the MSF group and are below average in most cases. The Authority levies the lowest council tax precept of all police authorities. The Authority and Force are investing in protective services, neighbourhood policing, workforce modernisation and other areas. This is a developing area, and together with the development of the estates strategy and procurement arrangements, improved outcomes are expected but still need to be delivered.

Role of the Police Authority

- 18 The Authority has improved its role in ensuring the effective use of resources, including:
- developing the Medium Term Financial Strategy and the budget;
 - taking forward the development of the estates strategy;
 - reviewing the financial position, including clarifying the policy on reserves and balances;
 - providing a strong audit committee and other member committees to provide scrutiny and challenge to officers of the Police Authority and Force;
 - scrutinising performance; and
 - developing risk management arrangements for the Police Authority.

Actions for the Police Authority

- 19 The key actions for Police Authority members in ensuring a continued focus on effective use of resources are:
- robust monitoring will be needed to ensure that the challenging plans set out in the Medium Term Financial Strategy and annual budget are achieved;
 - overseeing the delivery of the plans to improve service delivery without adverse impact on current performance, deliver improvements in the estate, and identify and achieve efficiencies facilitated through implementation of the new procurement strategy; and
 - further embed risk management arrangements by ensuring proactive monitoring of the Authority's strategic risk register by the Audit and Scrutiny Committee.

Theme summaries

Financial reporting

Theme score - 3	
Purpose	
To assess the strength of the Authority's and Force's financial accounting and reporting arrangements.	
Key findings and conclusions	
Financial reporting is assessed as performing well. Working papers supporting the 2006/07 financial statements were good overall but there were some areas where further working papers and explanations were required this year. The statements were free from significant error but some errors were identified in 2006/07. The Authority's website has been improved to promote external accountability.	
Improvement opportunities	
KLOE 1.1 The Authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	None.
KLOE 1.2 The Authority promotes external accountability.	R1 Consider producing an Annual Report incorporating summary accounts, building on and enhancing the summary accounts that are currently made available on the website.

Financial management

Theme score – 3	
Purpose	
To assess how well the Authority and Force plan and manage its finances.	
Key findings and conclusions	
<p>The Authority's Medium Term Financial Strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities. We have noted significant improvement in the latest Medium Term Financial Strategy and budget. They provide a comprehensive analysis of the overall financial position and we have recommended it as notable practice. The strategy includes modelling of resource requirements over three years and reserves over five years, identifying the medium term financial pressures and a strategy to address them, and providing a close link between corporate and business planning processes (which reflect local and national policing priorities) with these financial plans.</p> <p>The Authority and Force manage performance against budgets well. There is evidence of very effective joint working between the Authority and the Force, with very detailed work undertaken by the Force to manage the budget and effective oversight and support provided by the Authority.</p> <p>The Authority and Force manage their asset base (including their estate and vehicle fleet) and their IM&T (Information Management & Technology) service well. Our assessment in this area has improved from last year to reflect developments around the estates strategy, although improved outcomes still need to be delivered in relation to estates.</p>	
Improvement opportunities	
KLOE 2.1 The Authority's Medium Term Financial Strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.	None.
KLOE 2.2 The Authority and Force manage performance against budgets.	R2 Financial training needs analysis has been undertaken by the Force, but the training programme still needs to be delivered.
KLOE 2.3 The Authority and Force manage their asset base (including their estate and vehicle fleet) and their IM&T service.	R3 The new estates strategy needs to be closely monitored to ensure that the outcomes identified are delivered.

Financial standing

Theme score – 4	
Purpose	
To assess how well the Authority safeguards its financial standing.	
Key findings and conclusions	
<p>The Authority performs strongly in managing its spending within the available resources. The Authority has comprehensively addressed the issues raised last year to improve the Medium Term Financial Strategy and to review reserve levels and their planned utilisation as part of the annual budget and council tax level considerations.</p> <p>The Authority has significant levels of reserves. The new Medium Term Financial Strategy approved in November 2006 sets out more clearly than previously the Authority's policy on reserves, the levels of reserves, their purpose and the plans to utilise them, where appropriate. In particular, it sets out planned reserve levels over the next five years, which provides a benchmark against which actual movements in reserves can be measured. The annual budget approved in February 2007 provided an updated position, and this will be further monitored and updated moving forward.</p> <p>In addition, the Medium Term Financial Strategy and annual budget provide a robust analysis of the Authority's finances, setting out the current financial position, a clear strategy to address medium term financial pressures, revenue budget forecasts, implications of capital spending and prudential borrowing, and a risk assessment.</p>	
Improvement opportunities	
KLOE 3.1 The Authority manages its spending within the available resources.	R4 Robust monitoring by officers and Members needs to continue to ensure that the challenging plans set out in the Medium Term Financial Strategy and annual budget are achieved, with continued scrutiny of reserve levels, considering the opportunity cost of retaining or utilising reserves.

Internal control

Theme score – 3	
Purpose	
To assess how well the Authority's and Force's internal control environment enables them to manage their significant business risks.	
Key findings and conclusions	
<p>The Authority and Force manage significant business risks well. The Force's risk management arrangements have been further embedded in the performance management framework, with risk registers in place at both departmental/area command level and at the strategic level. In addition, the Authority's arrangements have been improved with a comprehensive strategic risk register, developed through a process involving Member training and active Member involvement and engagement. The strategic risk register is considered quarterly by the Audit and Scrutiny Committee.</p> <p>The Authority and Force have good arrangements in place to maintain a sound system of internal control. There is a strong assurance framework, including comprehensive Internal Audit coverage, risk management and Audit Committee engagement. Annual assurance statements are sought from senior managers within the Force, and areas for improvement are followed up by Internal Audit.</p> <p>The Authority and Force have comprehensive arrangements in place to promote and ensure probity and propriety in the conduct of their business. There is a strong counter fraud culture within both the Authority and the Force, and any instances that have arisen have been robustly dealt with. HMIC assessed professional standards within the Force as good.</p>	
Improvement opportunities	
KLOE 4.1 The Authority and Force manage their significant business risks.	R5 Further embed risk management arrangements by ensuring proactive monitoring of the Authority's strategic risk register by the Audit and Scrutiny Committee.
KLOE 4.2 The Authority and Force have arrangements in place to maintain a sound system of internal control.	R6 Financial Regulations and Standing Orders need to be updated.
KLOE 4.3 The Authority and Force have arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	R7 Formally review the effectiveness of arrangements, and the extent to which a strong counter fraud culture and high standards of personal conduct can be demonstrated.

Value for money

Theme score – 4
Purpose
To assess the achievement of value for money within the Authority and Force and to conclude on the robustness of arrangements to secure improvements.
Key findings and conclusions
<p>The Authority and Force are performing strongly in achieving value for money, and there are good arrangements in place to manage and improve value for money.</p> <p>Northumbria is one of the best performing police forces. On most measures, the Force's performance is best in its group of Most Similar Forces (MSF). Total crime per 1,000 population is well below MSF average, and sanction detections, an area targeted for improvement through the Force's performance management systems, has improved significantly and for 2006/07 was 37.5 per cent with the nearest in the MSF group achieving only 29.3 per cent. As well as comparing well with the MSF group, the Force has also achieved year on year improvement in many areas, a considerable achievement given the already high levels of performance.</p> <p>HMIC has identified the strategic management and corporate performance framework of the Force as good practice. Performance is monitored closely by the Authority.</p> <p>In HMIC's baseline assessment reported in October 2006, Northumbria was graded as good or excellent in 22 out of the 23 areas assessed, with all areas either stable or improved. Managing financial and physical resources was graded as good and improved. Using comparative data for 2006/07, costs compare well with the MSF group and are below average in most cases. In the context of the high levels of performance, costs compare well. The Authority levies the lowest council tax precept of all police authorities.</p> <p>There are a range of mechanisms to drive improvements in value for money, including business and financial planning, business cases to support growth and investment decisions, the delivery of efficiency savings, the development of procurement and specific projects to bring about improvements.</p> <p>The Authority and Force are investing in protective services, neighbourhood policing, workforce modernisation and other areas. Reserves are being used to pump prime spending in the short term, whilst efficiencies are being identified so that revenue spending in these areas can be sustained. This is a developing area, and together with the development of the estates strategy and procurement arrangements, improved outcomes are expected but still need to be delivered. Although committed to partnership and collaborative working, there may be scope for further improvement in this area.</p>

Theme score – 4	
Improvement opportunities	
KLOE 5.1 The Authority and Force currently achieves good value for money.	None.
KLOE 5.2 The Authority and Force manage and improve value for money.	<p>R8 The Authority and the Force need to see through their plans to improve service delivery without adverse impact on current performance, deliver improvements in the estate, and identify and achieve efficiencies, facilitated through implementation of the new procurement strategy.</p> <p>R9 The Authority and Force need to continue to explore appropriate opportunities for improvement through partnership and collaborative working.</p> <p>R10 The Authority's comprehensive consideration of performance should be supplemented with more information to evaluate overall value for money, including cost and benchmarking data.</p>

Status of the report and next steps

- 20 The results of this work will be discussed and agreed with officers and reported to the Authority, including the Action Plan at Appendix 1. We suggest that the completed Action Plan is formally monitored by the Authority to ensure that the improvement opportunities are realised.
- 21 The scores, key messages and improvement opportunities will be included in the Police Authority's 2006/07 Annual Audit Letter.

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Cost implications (£)	Responsibility	Agreed	Comments	Date
Financial reporting							
10	R1 Consider producing an Annual Report incorporating summary accounts, building on and enhancing the summary accounts that are currently made available on the website.	3	To be determined	Chief Executive, Treasurer	Yes	The Chief Executive and Treasurer will consider the merits of a Police Authority Annual report.	June 2008
Financial management							
11	R2 Financial training needs analysis has been undertaken by the Force, but the training programme still needs to be delivered.	2	To be determined	Chief Constable	Yes	The Force Corporate Decision Making Review identified training and development needs for senior leaders within the Force. Financial training will be an integral part of a more broader based business training package.	Continuing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Cost Implications (£)	Responsibility	Agreed	Comments	Date
11	R3 The new estates strategy needs to be closely monitored to ensure that the outcomes identified are delivered.	3	None	Property Adviser	Yes	Resources Management Committee receives quarterly reports on progress.	Continuing
Financial standing							
12	R4 Robust monitoring by officers and Members needs to continue to ensure that the challenging plans set out in the Medium Term Financial Strategy and annual budget are achieved, with continued scrutiny of reserve levels, considering the opportunity cost of retaining or utilising reserves.	3	None	Treasurer	Yes	Monitoring arrangements include: <ul style="list-style-type: none"> • quarterly monitoring of revenue budget and capital programme; • MTFS reviewed November 2007; • reserves policy reviewed as part of MTFS, Budget and Statement of Accounts; and • MTFS includes an analysis of the benefits of using reserves. 	Continuing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Cost Implications (£)	Responsibility	Agreed	Comments	Date
	Internal control						
13	R5 Further embed risk management arrangements by ensuring proactive monitoring of the Authority's strategic risk register by the Audit and Scrutiny Committee.	3	None	Treasurer	Yes	Audit and Scrutiny Committee monitor progress on the agreed Risk Management Strategy.	Continuing
13	R6 Financial Regulations and Standing Orders need to be updated.	2	None	Treasurer	Yes	Police Authority agreed updated SO's/Financial Regulations in September 2007. These will be reviewed annually in May.	May 2008
13	R7 Formally review the effectiveness of arrangements, and the extent to which a strong counter fraud culture and high standards of personal conduct can be demonstrated.	2	None	Treasurer	Yes	Internal Audit will carry out a review to test the arrangements as part of the 2007/08 Audit Plan.	June 2008

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Cost Implications (£)	Responsibility	Agreed	Comments	Date
	Value for money						
15	R8 The Authority and the Force need to see through their plans to improve service delivery without adverse impact on current performance, deliver improvements in the estate, and identify and achieve efficiencies, facilitated through implementation of the new procurement strategy.	3	None	Chief Executive, Treasurer, Chief Constable	Yes	Monitoring arrangements are in place to ensure improvements take place and the Authority has a track record of challenging performance. Value for Money has been identified as a Strategic Aim within the 2020 Vision. It will be underpinned by a VFM strategy that will consider the management of Force resources and how they are used to support frontline policing. The VFM strategy will take into account the national Efficiency and Productivity Strategy for the Police Service.	Continuing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Cost Implications (£)	Responsibility	Agreed	Comments	Date
15	R9 The Authority and Force need to continue to explore appropriate opportunities for improvement through partnership and collaborative working.	3	Potential need for Invest to Save	Treasurer, Chief Constable	Yes	Partnership and collaborative working will continue to be explored and implemented where there are clear business cases. This will build on the collaborative work between the Authority and Gateshead Council and the regional collaboration between forces. Within the 2020 Vision, the theme of Partnerships has been agreed as a Strategic Aim, to promote opportunities for effective partnerships, ensuring alignment of service delivery and shared accountability.	Continuing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Cost Implications (£)	Responsibility	Agreed	Comments	Date
15	R10 The Authority's comprehensive consideration of performance should be supplemented with more information to evaluate overall value for money, including cost and benchmarking data.	2	None	Treasurer	Yes	Consideration will be given to the development and reporting of benchmarking data for police authorities which is being explored nationally.	June 2008