

Use of Resources - Police

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# **Police use of resources evaluation - feedback**

**Humberside Police Authority**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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- any third party.

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## Introduction

- 1 This report presents the results of the 2005/06 review of use of resources at Humberside Police Authority (the Authority). As the Audit Commission's appointed auditor to the Authority, we undertook this review during the period April 2006 - June 2006, 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, and in accordance with the Commission's Code of Audit Practice and Standing Guidance for Auditors.
- 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 assurance arrangements, designed to ensure compliance with the methodology and guidance, and to promote consistency of assessment between appointed auditors.
- 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.
- 4 The aim of our review is to provide authorities and forces with a review of their arrangements for controlling resources, including their public accountability and financial frameworks. In addition, in the context of potential reorganisation this assessment will allow those authorities that are merging to have an external view of the strengths and areas of improvement of these key arrangements when the control frameworks for the new authorities are being considered.
- 5 In order to minimise any potential overlap between this assessment and the areas covered out by HMIC in its baseline assessments (in particular in Domain 6D, Management of Finance and Physical Resources), we have asked authorities and forces only to provide self-assessment information once. We are also seeking to rely on the judgements of HMIC wherever possible.

## Approach and scoring

- 6 Each judgement area (theme) consists of a number of key lines of enquiry 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

4 = well above minimum requirements – performing strongly

- 7 The Commission will determine the overall use of resources score by combining the auditor's separate scores for each of the themes covered. Our final judgement, including the component grades, will be shared with HMIC and will inform the grade for the baseline framework Domain 6D.

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## Summary of scores

8 The score for each theme is as follows.

<b>Theme and key line of enquiry</b>	<b>KLOE score</b>
Financial reporting <ul style="list-style-type: none"> <li>• Annual accounts.</li> <li>• Promotion of external accountability.</li> </ul>	
Theme score	3
Financial management <ul style="list-style-type: none"> <li>• Medium term financial strategy and capital programme.</li> <li>• Management of performance against budgets.</li> <li>• Management of the authority's and force's asset base (including their estate and vehicle fleet) and their IM&amp;T service.</li> </ul>	
Theme score	2
Financial standing <ul style="list-style-type: none"> <li>• Management of spending within available resources.</li> </ul>	
Theme score	3
Internal control <ul style="list-style-type: none"> <li>• Management of significant business risks.</li> <li>• Maintenance of a sound system of internal control.</li> <li>• Arrangements to ensure probity and propriety.</li> </ul>	
Theme score	2
Value for money <ul style="list-style-type: none"> <li>• Achievement of VFM.</li> <li>• Management and improvement of VFM.</li> </ul>	
Theme score	2

## Main conclusions including notable practice

- 9 A detailed summary of our findings is given in the next section of this report. This summary sets out key findings in relation to each theme and areas for improvement. The overall key messages from our work are as follows.
- 10 The Authority performs well in relation to financial reporting and financial standing. In the areas of financial management, internal control and value for money its arrangements are adequate.
- 11 Financial Reporting – the Authority has performed well in this area. It has produced its accounts in line with regulations and on time with the revised timescale. A clean opinion was given on the accounts and only a small number of significant issues were reported to those charged with governance, all issues identified were amended in the audited statements of account. The Authority has improved the access to information for the public by keeping its website up to date with relevant documents. However improvements are needed in the publishing of summary financial statements.
- 12 Financial Management - the Authority has met the minimum standards of performance in its financial management. It has in place a medium term financial strategy designed to deliver its strategic priorities. Development monies are given to business cases that are designed to meet those priorities. But the Authority needs to improve the consistency and reliability of its budget monitoring arrangements. It must align its base budget with actual spending to ensure that it both makes best use of the available resources while identifying all pressure areas.
- 13 Financial Standing - the Authority has performed well in this area. It has always spent within its agreed budgets. Moreover, it has always had a very prudent approach to the business case process and ensuring medium term affordability.
- 14 Internal Control - the Authority has met minimum standards in this area. It has adequate arrangements to manage risk through the Force Audit Board and the Audit and Strategy Committee. It also has good arrangements in place in the production of the Statement of Internal Control. The Authority has policies and procedures and arrangements in place designed to ensure probity and propriety. However the Authority needs to implement tailored training programmes for officers and members with responsibility for risk management and governance. The Audit and Strategy Committee should develop its leadership role within the Authority through proactively monitoring and reviewing policies relating to the internal control framework (such as whistle-blowing) and amending them where necessary.
- 15 Value for Money - the Authority has met minimum standards for value for money. It continues to improve performance monitoring arrangements. In addition, benchmarking of support services has been undertaken in most areas. Efficiency targets have been met (and consistently exceeded) and VFM improvements have

## 8 Police use of resources evaluation - feedback | Main conclusions including notable practice

been achieved through the internal review processes. But the Force needs to ensure that the workforce modernisation programme maximises the number of officers available for front line duties. Further benchmarking activity needs to be better targeted and co-ordinated.

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## The way forward

- 16 The results of this work will be agreed with the Force and the Authority, and then presented to the Audit and Strategy Committee. Our final judgement will be shared with HMIC, and a summary, will be included in your 2005/06 Audit Letter.
- 17 We will discuss with management the improvement areas identified and agree an appropriate action plan.

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# Summary of key findings and areas for improvement

## Financial reporting

### strengths

- The accounts were produced in accordance with statutory requirements and timetables.
- The accounts submitted for Authority approval were complete and were compiled in all material aspects with proper practices and the approved Authority accounting practices.
- Only a small number of significant issues were reported in the ISA+ 260 report
- The working papers received at the start of the audit were of an adequate standard.
- The accounts and the Director of Performance and Resources reports were subject to both public and private discussion by members.
- The Authority publishes relevant documentation in a timely manner on its website.

### Areas for improvement

- The accounts submitted for audit to only include trifling errors, and no issues that need to be reported through the ISA+260 report.
- Working papers can be improved to provide a clearer audit trail from statement balance to prime documentation, including clear analytical review and have been subject to an evidenced review from senior officers.
- The Authority need to review its arrangements for the publishing of its annual report and summary financial statements
- The Authority need to consult with its stakeholders as to what format they would like the annual report and summary financial statements.

## Financial management

### Strengths

- The Authority has a strong financial management framework through the Medium Term Financial Strategy that both looks forward and ensures current financial stability. It clearly takes account of both the initial investment costs and long term revenue consequences of decisions made now.

- Agreed developments are linked to the aims and objectives of the Authority through the business case process and all are included in the Medium Term Financial Strategy.
- The Estates, Fleet and IM&T strategies are clearly linked and financed in line with the business case process. The Force has been very open and clear about the issues involved in the LPT estates programme and kept all parties up to date on progress. The Authority has been very clear too in setting the overall direction for the estates strategy particularly in terms of the local policing team bases.

### **Areas for improvement**

- The Authority has only begun to focus on monitoring the in year budget over the last two years. This new and increasing focus helped contribute to changes in the Force's own internal reporting arrangements which have not always ensured that information was complete, consistent and timely. For example, a number of inconsistent reports were presented to members in 2005/06 as to the projected outturn position of the revenue budget. The Force is clearly working towards the improvements that are necessary to deliver adequate arrangements in the budget monitoring side of the business but has work to do to ensure reliability and consistency of the reports to members.
- The additional rigour that the Authority is demanding places additional pressures on the very limited amount of financially qualified resources available to the ACO (Support). Further recruitment in this area may be inevitable.

- The Authority has consistently under spent in some budget areas but it has not been revised to reflect actual spending levels, for example for police pay.
- The Authority needs to review its strategy in relation to its Reserves to ensure that they remain appropriate in the light of the risks identified in the financial forecast.

## Financial standing

### Strengths

- The Authority is very well placed financially to meet the demands it faces. Over the past number of years it has been prudent in its decision making processes, and it has a five year forecast with adequate provisions for all its liabilities with an identified level of financial risk. It has funded an extensive building programme from precept increases and has an investment reserve available for it to invest in the developments needed to meet its aims and objectives.

### Areas for improvement

- The Authority has managed financial risk by setting present tax levels to fully fund all the developments in its strategy. But financial planning assumptions now include a reduced flexibility for raising council tax and predict a significant reduction in reserves over the next few years. In these circumstances there is now a need for the Authority and the Force to manage financial risk more actively. The recent improvements in financial reporting will help with this.

## Internal control

### Strengths

- The Authority and the Force have significantly improved their internal control arrangements over the past couple of year. The Authority now has arrangements in place mirroring those already working within the Force and this will enable them to carry out their responsibilities better.
- The Authority has amended the terms of reference of the audit and strategy committee to accept risk management reports from the force audit board.

### Areas for improvement

- Although the Authority now has adequate policies and procedures in place in relation to internal control, it is not yet being consistently proactive in terms of promoting the policies and procedures or in monitoring compliance with them. Audit and Strategy Committee should develop its leadership role on these issues particularly in securing action where weaknesses are identified (for example in relation to gifts and hospitality).

- The internal control framework could be improved by embedding the recent developments in risk management across both the Authority and the Force.

## Value for money

### Strengths

- The Force is currently revising its workforce modernisation plans and introducing Police Community Support Officers.
- Operational performance has improved in some areas but the high levels of incidents and crimes per officer continue to hamper step improvement in crime reduction and detections against MSF comparators.
- Performance monitoring arrangements are improving in both the Authority and the Force in relation to both financial and operational performance.
- The use of activity data is providing a clearer understanding of the impact and potential gains arising from changing work patterns.
- The Force can demonstrate that it is meeting (and exceeding) efficiency targets and has achieved further value for money improvements through internal review processes.
- The Force has been innovative in its approach to procuring vehicles (from Proton) and its use of LPG to fuel them.
- Decision-making is supported through the provision of detailed business cases.
- The Force recognises a need for more strategic understanding of issues for vulnerable communities and is responding to this challenge.

### Areas for improvement

- Humberside's costs per FTE police officer are high in comparison to its Most Similar Force (MSF) comparators in areas such as transport and estates. The Authority and the Force point to Humberside's comparatively low numbers of officers as an issue in such comparisons. In addition transport costs are inflated by the leasing of the helicopter. Work is already underway in both the Authority and the Force to ensure that the drivers of cost and their relationship to performance become fully understood. The planned actions in relation to transport (in particular the fleet) and estates now need to be delivered.
- The Authority and Force need to be more specific in how the medium term workforce modernisation plans will ensure a greater proportion of expenditure is directed towards frontline policing and delivery of their key priorities.
- There is a need to continue to develop a better understanding of the relationship between cost and performance and this should be linked to further targeted and co-ordinated benchmarking of operational and support activity and costs.

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- The Authority and Force should undertake rigorous post-implementation reviews of projects to test their success in delivering objectives and ensure that learning opportunities are identified and acted upon.
- Finance and performance information need to be considered together on a more consistent basis in decision making. Comparative measures of cost and performance against other similar forces should be developed in order to identify the scope for VFM improvement and set targets accordingly. More consistent use of ABC costing information should be used to inform decision making. There is a need to continue to develop a better understanding of the relationship between cost and performance.
- The delivery of the objectives of the procurement strategy should be monitored through a regular review by the Authority of outcomes and the taking of remedial action where necessary.

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