

# Annual Audit Letter

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Cumbria 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.
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# 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.**

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## Audit opinion and financial statements

- 1 At the Governance Committee meeting on 21 September 2009 we discussed the detailed findings from my 2008/09 audit which were reported in my Annual Governance Report. The accounts were prepared to a high standard and were supported by good working papers.
- 2 I issued an unqualified opinion on the accounts on 23 September 2009.

## Value for money

- 3 My assessment of your arrangements to secure value for money is based on the work we have completed covering all the key lines of enquiry (KLOE) set out by the Audit Commission for Police Authorities. We also undertook a review of risk management arrangements within the Cumbria Strategic Partnership.
- 4 The key issues arising from my review of your arrangements to secure value for money include:
  - finances are well managed, treasury management is prudent and as a result reserves have been increased in recognition of the current economic pressures;
  - governance arrangements are strong with a good understanding of local needs; and
  - efficiencies have been secured through joint procurement.
- 5 There is scope to improve:
  - the procurement, project management and governance of capital projects;
  - data security in some areas;
  - compliance with national standards for crime and incident recording; and
  - risk management within the Cumbria Strategic Partnership.
- 6 I issued an unqualified value for money (VFM) conclusion in respect of your arrangements for securing value for money from the use of resources on 23 September 2009.
- 7 The findings from my Annual Governance Report, my Use of Resources report and the Cumbria Strategic Partnership (CSP) report are summarised below. These individual reports have been discussed and agreed with the Police Authority. The CSP report and action plan are currently being discussed within the CSP.

# Audit opinion on the financial statements

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

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## Issues arising from the audit

- 8 I reported to those charged with governance the issues arising from the audit of the accounts in September 2009 in my Annual Governance Report.
- 9 The accounts were prepared to a high standard and were supported by good working papers.
- 10 Following discussions with the Treasurer, I recommended, and the Authority agreed, that the Authority and Force's Annual Governance Statement be updated to recognise that procurement, project management and governance arrangements for capital works are being improved.
- 11 The explanatory foreword to the accounts included financial projections in respect of future plans. These were excluded from my audit opinion which can only cover events which have occurred in 2008/09.
- 12 The economic downturn and banking crisis are having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes.
- 13 The Authority has considered the impact of the banking crisis on its treasury management and has recognised the need to continue to consider the implications as part of its medium term financial plan.
- 14 The economic downturn also affects my audit considerations and as part of my responsibility, I have reviewed the Authority's treasury management arrangements and found them to be soundly based, responsive and prudent.

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# Use of resources and value for money

I considered how well the Authority and Constabulary are managing and using their 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 and Constabulary 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.

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## Use of resources judgements

**15** The use of resources theme scores for Cumbria Police Authority are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are also summarised in paragraphs 18 to 30. The findings from the review of risk management in the Cumbria Strategic Partnership are summarised in paragraphs 31 to 33.

## Value for money conclusion

**16** I issued an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources on 23 September 2009.

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## Use of Resources, summary findings

**17** In forming my scored use of resources judgements, I 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.

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**Table 1** Use of resources theme scores

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

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### Managing finances

- 18** The Medium Term Financial Strategy (MTFS) is updated annually as are other key plans. The most recent version of the MTFS highlights the risk to the financial plans of the Authority from changes to the current assumed level of public sector settlements. The plan includes the outcome of several different scenarios considering the differences between pay increases and grant settlements.
- 19** The budget report produced annually as part of the budget setting process includes four year forecasts of revenue expenditure. There is a capital programme in place which is linked to priorities and has taken into account the increased cost of the command and control system.
- 20** There is good reporting of treasury management to the governance committee on a quarterly basis. Detailed consultation with each local police community liaison forum in the different district areas has been undertaken as part of the budget setting process. The Constabulary and Authority have historically performed within budget, efficiency savings are achieved and reserves have been increased and are within the levels agreed by the policy.
- 21** The Constabulary and Authority have a good understanding of their costs, what drives these, and how they compare to other forces. As a result, some £3.8 million in efficiency savings were identified during 2008/09, allowing significant extra investment in frontline policing services.
- 22** Budgets are delegated at an appropriate level and devolved areas are supported by finance staff.
- 23** The 2008/09 accounts were well prepared and supported by good quality working papers. The Authority publishes performance and financial reports which provide a balanced assessment of performance and are available in a variety of formats and languages.

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### Governing the business

- 24** The Authority and Constabulary have a robust approach to commissioning based on a clear understanding of local needs. Public consultation and engagement are strong. New ways of delivering services are being pursued, resulting in improved value for money. Efficiencies have been secured through joint procurement in a number of areas and larger scale collaboration is being considered. The Authority and Constabulary recognise that governance arrangements for procurement and project management need to be improved.
- 25** Performance monitoring and management arrangements are robust and are helping to deliver better outcomes across most areas of the Policing Plan. However, compliance with national standards for crime and incident recording needs to improve. Arrangements to ensure data security are under-developed in some areas.

## Use of resources and value for money

- 26 Training is offered to members in response to identified training needs. Training on the code of conduct has been well attended by members. The governance committee undertakes the function of an audit committee and is responsible for risk management. The committee is effective in its role. Internal audit is provided by Cumbria County Council's Management Audit Unit.
- 27 The Authority's Partnership Guide sets out for members and officers the reasons for the Authority being involved in partnerships and explains the key partnerships. The Authority has committed to review during 2009/10, each of the individual partnerships in which it participates for risk exposure against its strategic objectives.

## Managing resources

- 28 The Constabulary manages its workforce in support of its strategic priorities. Staff development processes are improving and skill gaps are being addressed. Performance management of staff is good, with recognition for good performance and action taken in response to under-performance.
- 29 Workforce planning processes have developed over the past year and recruitment policies are being reviewed in the light of the new Medium Term Financial Strategy. However, the Constabulary lacks a comprehensive workforce strategy.
- 30 The Authority and Constabulary have established policies in support of diversity and equality, and progress is being made in building a workforce that is representative of the community.

## Review of Risk Management in the Cumbria Strategic Partnership

- 31 In addition to the use of resources work undertaken on the KLOE specified by the Audit Commission we also undertook a review of Risk Management within the Cumbria Strategic Partnership (CSP). All partnerships face uncertainties in delivering their objectives. Effective strategic risk management is essential to enable the Cumbria Strategic Partnership (CSP) to exploit opportunities to improve services in a cost efficient way.
- 32 The CSP's Governance Framework clearly sets out the risk management arrangements, however these are not implemented consistently nor do they encourage well managed risk taking to deliver innovative service improvements and efficiencies. Overall, partnership risk management has a low profile in the CSP and risks are identified at too high a level. As a result, there is limited input from partner organisations and there are no linkages between the high level assessments and partner organisations' risk assessments.
- 33 The CSP's Governance Framework needs to be fit for purpose without imposing a burden on the partnership managers. Partners acknowledge improvements are required to the risk management and wider governance arrangements within Cumbria Strategic Partnership. Our detailed report and action plan are currently being discussed and agreed within the CSP.

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# Looking forward

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## The Authority and Constabulary have many challenges, not least managing finances within reducing resources

- 34** The Audit Commission, Her Majesty's Inspector of Constabulary (HMIC) and the Wales Audit Office are undertaking a joint national study, *Policing: More for Less*. The study aims to identify how police forces in England and Wales can maintain or improve police effectiveness using fewer resources. The research will look at how forces:
- save money from internal changes while improving or maintaining effectiveness;
  - work with partners to reduce resource needs; and
  - ensure that efficiency improvements are sustained.
- 35** We will collect data from Cumbria Police Authority and Constabulary and provide details to the Audit Commission to assist in this national study.

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## Police Authority Inspection

- 36** The Home Office has commissioned the Audit Commission and HMIC to undertake an inspection of Cumbria Police Authority and this will take place during 2010.

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## Organisational Assessment and Comprehensive Area Assessment

- 37** In December 2009 the Audit Commission will publish its findings from the review of Cumbria Police Authority's Organisational Assessment which forms part of the Comprehensive Area Assessment for Cumbria as a whole. These assessments draw on our findings from our work on the Authority and Constabulary's use of resources but are separate judgements made by the Audit Commission's Comprehensive Area Assessment Lead (CAAL).

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## Use of Resources Assessment during 2009/10

- 38** The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. In 2009/10, KLOE 3.3 - workforce planning will not be assessed but KLOE, 3.1 - natural resources - will apply to Police Authorities. As we have not assessed the Authority and Constabulary's use of natural resources before we plan to commence our work in this area before the end of the calendar year.

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# Closing remarks

- 39** I have discussed and agreed this letter with the Chief Executive and the Treasurer of the Authority and the Director of Finance and Resources of the Constabulary. I will present this letter at the Governance Committee on 20 November 2009 and will provide copies to all Authority members.
- 40** Tables 2 and 3 provide information about the reports completed on the audit and the audit fees for the 2008/09 audit year.

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**Table 2** Reports issued during the 2008/09 audit

Report	Date issued
Audit Plan	June 2008
Audit Opinion Plan	May 2009
Annual Governance Report	September 2009
Risk Management in the Cumbria Strategic Partnership	October 2009
Use of Resources	November 2009

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**Table 3** Audit fees

Audit fees have not changed from my original plan agreed with the Authority in June 2008

	Planned	Actual
Financial statements and annual governance statement	£54,494	£54,494
Value for money	£20,606	£20,606
<b>Total audit fees</b>	<b>£75,100</b>	<b>£75,100</b>

**Acknowledgements**

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

**Independence**

42 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Gina Martlew  
Appointed Auditor  
November 2009

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# 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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