

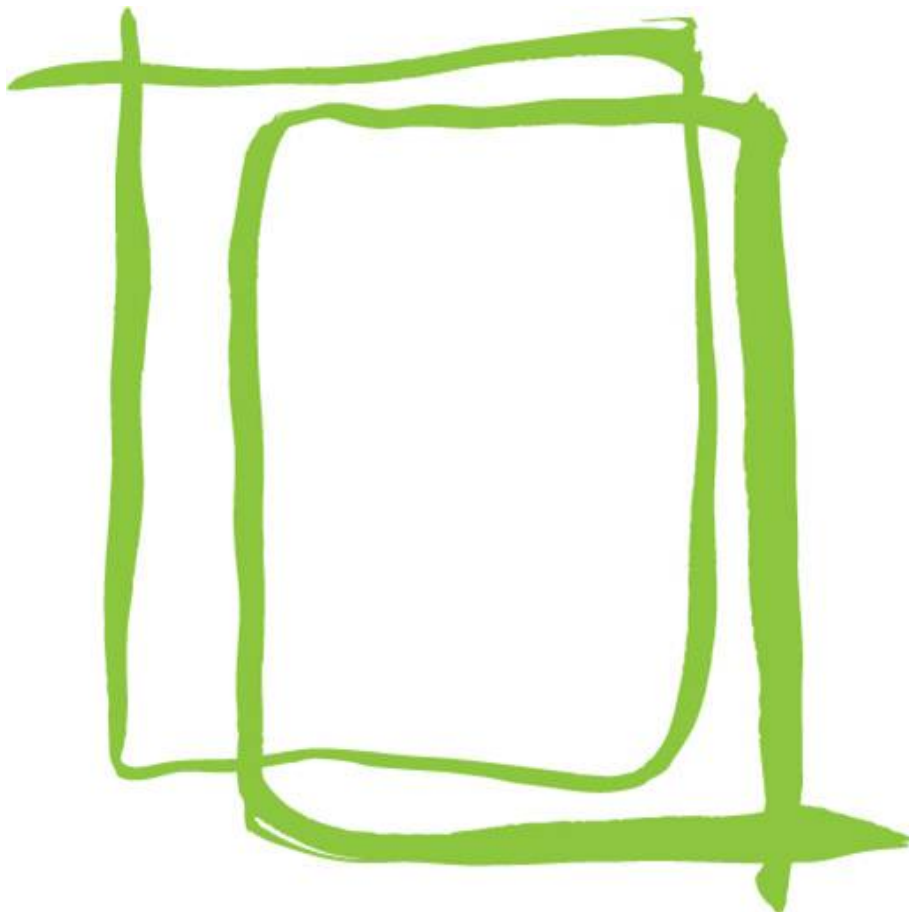
# Police Use of Resources

**Auditor feedback report**

Cumbria Police Authority

Audit 2007/08

November 2008



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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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# Introduction

- 1 This report presents the results of the 2007/08 Police Use of Resources assessment (PURE) at Cumbria Police Authority. As the Audit Commission's appointed auditor to the Police Authority, we undertook this review during the period March 2008 – September 2008, 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 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.

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# Approach and scoring

- 4 The PURE assessment requires auditors to form judgements on the police Authority and Constabulary arrangements to secure effective use of resources across five themes:
  - financial reporting;
  - financial management;
  - financial standing;
  - internal control; and
  - value for money.
- 5 Each theme consists of key lines of enquiry (KLOE) and areas of audit focus. Auditors are required to make a judgement for each KLOE against a set of 'descriptors' or 'criteria'. Judgements are made using the Audit Commission's scoring scale.
  - 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 determines 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 take account of the methodology set out in the PURE guidance to auditors, and briefings to Police Authority treasurers and Constabulary finance directors issued between October 2007 and February 2008.
- 8 This is the third year auditors have undertaken PURE assessments. The key principles for the 2007/08 approach is a risk based and proportionate refresh of 2006/07 findings, with a focus on:
  - key changes to the KLOE referred to in Police Authority guidance;
  - actions by Police Authorities and Constabularies to address improvement opportunities identified in the 2006/07 PURE assessment;
  - for scores of 3 and above, considering whether relevant arrangements are 'embedded' - 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.

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# Summary of scores and key messages for Cumbria Police Authority

- 9 Table 1 summarises the 2007/08 scores and 2006/07 comparative judgements for each theme.

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**Table 1 Cumbria Police Authority - summary of use of resources scores by theme**

Cumbria Police Authority has improved its use of resources

Use of resources theme	2007/08 score	2006/07 score
Financial reporting	2	3
Financial management	3	2
Financial standing	3	3
Internal control	3	2
Value for money (VFM)	3	2

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## Audit Commission

- 10 This summary sets out key findings; both overall for the police Authority and Constabulary and in relation to each theme, summarising strengths and areas for improvement.
- 11 For three of the five themes, performance has improved. Financial Management, Internal Control and VFM are now scored as being consistently above the minimum and performing well. Financial Standing has maintained its level 3 score, and shown some improvements within this category. Therefore, Cumbria Police Authority and Constabulary are now performing consistently above minimum requirements and are performing well in four areas. Financial Reporting for 2007/08 saw some deterioration in performance compared with the prior year, and has unfortunately fallen from 3 to a score of 2.

### Financial reporting

- 12 The Authority approved its accounts by the statutory deadline and we gave an unqualified opinion on the financial statements on 18 September 2008. Although the financial statements submitted for audit contained disclosure errors, management agreed and made adjustments to the accounts for these disclosures as required. These amendments did not alter the level of revenue reserves available to the Authority, and were mainly due to new requirements and unfortunate instances of human error in an otherwise robust and well supported final accounts process.

### Financial management

- 13 The Authority and Constabulary demonstrated that they have met all the expected requirements and in many instances are performing well and consistently above minimum. Managing the asset base, particularly the basis for assessing investment decisions in new infrastructure assets and performance of partnerships were particular improvement areas.
- 14 There were also improvements in the approach to the medium-term financial strategy and how this is used to deliver strategic priorities. However, the absence of a workforce strategy means that it is not as good as it could be.

### Financial standing

- 15 The Authority and Constabulary perform well in this area and continue to maintain a strong financial position. This is unchanged from our 2006/07 review. The Authority set a policy on reserves based on a sound understanding of its needs and risks.

### Internal control

- 16 Performance in how the Authority and Constabulary manage their significant business risks and the arrangements in place to maintain a sound system of internal control has improved since the 2006/07 assessment. In particular, significant progress has been made in the review of partnerships and how they meet the objectives of the Authority and Constabulary.
- 17 However, there is still a need to formalise regular reporting from the Constabulary to the Police Authority on risk management and the development of a partnership register for the Constabulary that shows how risks are being managed. The Police Authority's risk management process has developed significantly since the last audit.
- 18 The Authority will need to make some improvement in how it, rather than the constabulary, approaches specific risk assessment regarding fraud work. The Authority's Internal Audit work plan is based on a risk assessment but does not separate out fraud risk specifically.

## Summary of scores and key messages for Cumbria Police Authority

### Value for money (VFM)

- 19 The Authority and Constabulary have been able to demonstrate that overall service costs offer good VFM, despite being highest cost in the Most Similar Force (MSF) comparator group based on a per head of population. This is because:
- non-staff costs are consistently below average;
  - on the basis of the geographic area and the number of incidents dealt with, the Authority 's costs are the lowest in the MSF group; and
  - performance outcomes in 2007/08 are well above average and are improving in most areas.
- 20 Using a balanced assessment of costs, demand and performance, we conclude that Cumbria's policing services represent good and improving value for money.
- 21 There have also been improvements in the Constabulary's approach to managing VFM, most notably more robust use of activity analysis and the completion of several efficiency reviews - for example, fleet management. Other areas of improvement include:
- good use of partnership working and collaboration to improve outcomes and secure efficiencies, for example collaborative procurement; and
  - public satisfaction and involvement continues to be strong, including in relation to minority communities.
- 22 However, progress on workforce planning has been slow and there remains no overall workforce strategy and no clear approach to dealing with identified skill shortages. Similarly, while IT capability is improving, the Constabulary is not yet in a position to use IT strategically to drive business change and improve VFM and access to services. Cumbria is beginning to embrace the sustainability agenda and should be in a position to demonstrate positive outcomes from this in the years ahead.

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### Role of the Police Authority

- 23 The Authority has improved its performance and is consistently achieving above the minimum requirements in its approach to financial standing, financial management, maintaining a sound system of internal control and its management and development of better value for money. Improvements should be made to develop its business planning cycle, by ensuring the Constabulary has a suitable long term workforce strategy, finalising the overall IT strategy and ensuring improvement in analysing costs against performance in various areas and in comparisons with other Constabularies.

### Actions for Police Authority members

24 The key actions for Police Authority members in ensuring a continued focus on effective use of resources are as follows.

- The Authority should ensure that changes to BVACOP and the SORP are formally noted and acted upon as part of the final accounts closedown process.
- The Authority should review the content requirements of the Annual Report to include full summary financial statements.
- The Authority and Constabulary need to ensure that:
  - the IT strategy and workforce strategy are finalised and costed with clear links to the medium term financial strategy;
  - budget monitoring is related to operational activity indicators, so there is a link between activity and expenditure where possible;
  - performance management is improved by the greater use of comparative data, both within and outside the Constabulary, with clear improvement targets set and monitored;
  - there is a documented process to ensure that all appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment;
  - there is formal regular reporting from the Constabulary to the Police Authority on risk management; and
  - a partnership register is developed for the Constabulary that shows how risks are being managed.
- The Authority needs to ensure a formal assessment is made of the impact of the Governance Committee, to enable it to demonstrate how it gives effective challenge and independent assurance on the risk management framework and associated internal control.

# Theme summaries

## Financial reporting

<b>Theme score -2</b>	
<b>Purpose</b>	
To assess the strength of the Authority's and Constabulary's financial accounting and reporting arrangements.	
<b>Key findings and conclusions</b>	
<p>There were some instances of omission of SORP and BVACOP disclosures this year due to changes in key staff and new requirements. All instances were quickly and correctly amended once notified, but there were more amendments needed this year when compared with prior years. The Authority produced its annual accounts in accordance with required timetables and provided suitable working papers.</p> <p>There was good evidence of communication with relevant stakeholders on the decision to produce an annual report, but the inclusion of full summary financial statements would further enhance the annual report.</p>	
<b>Improvement opportunities</b>	
KLOE 1.1 The Authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	The Authority should ensure that changes to BVACOP and the SORP are formally noted and acted upon as part of the final accounts closedown process, with appropriate advice being sought where issues are felt to be unclear or complex.
KLOE 1.2 The Authority promotes external accountability.	The 2007/08 Annual report does not contain full summary statements; there is no balance sheet, cash flow, or key disclosure notes. There is a high level summary income and expenditure statement comparing with the budget, but this needs to be based on the accounts to meet the definition of being summary financial statements.

**Financial management**

<b>Theme score - 3</b>	
<b>Purpose</b>	
To assess how well the Authority and Constabulary plan and manage its finances.	
<b>Key findings and conclusions</b>	
The Authority and Constabulary demonstrated that they have met all the expected requirements and in many instances are performing well and consistently above minimum. Managing the asset base, particularly the basis for assessing investment decisions in new infrastructure assets and performance of partnerships were particular improvement areas.	
<b>Improvement opportunities</b>	
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.	<p>This was considered a level 2 pass.</p> <p>There are some level 3 assurances that need to be consolidated and improved to move forward, these are:</p> <ul style="list-style-type: none"> <li>the IT strategy and workforce strategy need to be finalised and costed with clear links to the MTFS; and</li> <li>budget monitoring needs to be related to operational activity indicators, so there is a link between activity and expenditure where possible.</li> </ul>
KLOE 2.2 The Authority and Constabulary manage performance against budgets.	<p>This was considered a level 3 pass.</p> <p>The Authority has shown considerable improvement with one of the three level 4 assurances met; being the timely reporting system in place to focus the Governance Committee attention on higher risk areas, with a documented trail to show that these risks are acted upon.</p> <p>This year, significant progress has been made on partnership monitoring, with partner registration details being completed, noting who attends, monitors and what funds are involved.</p> <p>As well as ensuring current performance is maintained, the Authority will need to consider how it can:</p> <ul style="list-style-type: none"> <li>ensure the Authority and Constabulary receives accrued financial monitoring reports at appropriate key points during the year, including significant revenue account items and balances; and</li> <li>demonstrate that the Constabulary senior management team has reviewed its effectiveness in regard to financial management and has put in place an appropriate programme of training.</li> </ul>

Improvement opportunities	
<p>KLOE 2.3 The Authority and Constabulary manage their asset base (including their estate and vehicle fleet) and their IM&amp;T service.</p>	<p>This was considered a level 3 pass.</p> <p>The Authority has shown considerable improvement, with notable practice being found in relation to the Estates Strategy methodology for providing a rational basis for future investment on capital infrastructure linked to policing objectives. This has been included in the Audit Commission national data base of notable practice. This means other auditors can access this information and share it with other police authorities who want to make improvements in this area.</p> <p>A key area that needs attention to ensure the current performance is maintained is the Authority's Information Management arrangements. Although improving with the establishment of an IT work-plan and production of a draft IT Strategy, there remains work to be done to finalise and ensure these are clearly linked to the MTFS.</p> <p>Performance management is developing but there is scope for greater use of comparative data, both within and outside the Constabulary, and a need to set targets to drive improvements in VFM and sustainability.</p>

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**Financial standing**

<b>Theme score - 3</b>	
<b>Purpose</b>	
To assess how well the Authority safeguards its financial standing.	
<b>Key findings and conclusions</b>	
The Authority and Constabulary performs well in this area and continues to maintain a strong financial position	
<b>Improvement opportunities</b>	
KLOE 3.1 The Authority manages its spending within the available resources.	<p>This was considered a level 3 pass.</p> <p>As last year, the Authority and Constabulary demonstrated strong financial standing.</p> <p>Improvement areas would be for Authority members to monitor key financial health indicators, and then use them to set and deliver challenging targets. For example on levels of variances from budget, prudential framework indicators, and capital programme management.</p>

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Internal control

<b>Theme score - 3</b>	
<b>Purpose</b>	
To assess how well the Authority's and Constabulary's internal control environment enables them to manage their significant business risks.	
<b>Key findings and conclusions</b>	
Significant progress has been made in the review of partnerships and how they contribute to Authority objectives, but there is still a need to formalise regular reporting from the Constabulary to the Police Authority on risk management and the development of a partnership register for the Constabulary that shows how these risks are being managed. However, the Police Authority's risk management process has developed significantly since the last audit.	
<b>Improvement opportunities</b>	
KLOE 4.1 The Authority and Constabulary manage their significant business risks.	<p>This was considered a level 2 pass.</p> <p>To improve the Authority and Constabulary need to ensure:</p> <ul style="list-style-type: none"> <li>the business risk management process specifically considers risks in relation to partnerships and provides for assurances to be obtained about the management of those risks; and</li> <li>there is a documented process to ensure that all appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment.</li> </ul>
KLOE 4.2 The Authority and Constabulary have arrangements in place to maintain a sound system of internal control.	<p>This was considered a level 3 pass.</p> <p>Consideration needs to be given to how the Authority and Constabulary can test its business continuity plans without risking a failure in service delivery.</p> <p>To improve:</p> <ul style="list-style-type: none"> <li>there needs to be a formal assessment made of the impact of the Governance Committee, to enable it to demonstrate how it has made a positive difference to the way in which the Authority and Constabulary operate; and</li> <li>the Authority and Constabulary need to obtain assurance on a risk basis of the viability of its significant contractors' and partners' business continuity plans.</li> </ul>

Improvement opportunities	
<p>KLOE 4.3 The Authority and Constabulary have arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p>This was considered a level 3 pass.</p> <p>The Authority and Constabulary have demonstrated improvement in many areas: the whistleblowing procedures are well evidenced and supported, officers have received anti corruption training, members and officers have agreed a protocol and there is a quarterly publication to all members, staff and officers aimed at professional standards. The Constabulary has a well developed anti fraud approach based on a risk assessment delivered via their professional standards.</p> <p>The Authority needs to maintain current performance and ensure it has a formal approach to how it reviews and assesses specific risk in relation to fraud and what work will be needed to address these areas.</p> <p>To improve, consideration will need to be given to how the Authority and Constabulary can demonstrate that:</p> <ul style="list-style-type: none"> <li>● its members and staff exhibit high standards of personal conduct;</li> <li>● there is a strong counter fraud culture across the Authority;</li> <li>● staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption;</li> <li>● the risk of fraud and corruption is specifically considered in the Authority's and Constabulary's overall business risk management process; and</li> <li>● the Authority and Constabulary can demonstrate its staff, and staff within contracting organisations, have confidence in whistleblowing arrangements and feel safe to make a disclosure.</li> </ul>

Value for money

<b>Theme score - 3</b>	
<b>Purpose</b>	
To assess the achievement of value for money within the Authority and Constabulary and to conclude on the robustness of arrangements to secure improvements.	
<b>Key findings and conclusions</b>	
<p>Cumbria Police Authority's overall service costs per head of population are the highest in its Most Similar Force (MSF) comparator group, which reflects the higher number of officers required to police a large rural area. However, non-staff costs are consistently below average. On the basis of the number of incidents dealt with - which takes account of the relatively higher demands of tourism and travel within Cumbria - costs are the lowest in the MSF group.</p> <p>Performance outcomes in 2007/08 are well above average and are improving in a majority of areas. Using a balanced assessment of costs, demand and performance, we conclude that Cumbria's policing services represent good and improving value for money. Good use is made of partnership working and collaboration to improve outcomes and secure efficiencies, for example collaborative procurement. Public satisfaction and involvement continues to be strong, including in relation to minority communities.</p>	
<b>Improvement opportunities</b>	
<p>KLOE 5.1 The Authority and Constabulary currently achieves good value for money.</p>	<p>This was considered a level 3 pass.</p> <p>To improve, the Authority and Constabulary need to demonstrate that:</p> <ul style="list-style-type: none"> <li>● high performance is achieved across a range of key services while costs, including unit costs and transaction costs, demonstrate best value compared to other authorities and Constabularies;</li> <li>● the range of services delivered effectively addresses statutory duties and local needs, and are delivered to high quality standards;</li> <li>● overall spending, including overheads and capital, consistently demonstrates best value from resources;</li> <li>● they have a track record for effectively addressing areas of unintended high spending and emerging areas of budgetary pressure;</li> <li>● there is a sustained track record of investment leading to improved outcomes for users and sustainable efficiency gains. New investment is supported by clear targets and timescales for measuring improvement; and</li> <li>● it uses its capital programme, with partners where appropriate, to challenge existing service models to achieve a transformation in service for users.</li> </ul>

<b>Improvement opportunities</b>	
<p>KLOE 5.2 The Authority and Constabulary manage and improve value for money.</p>	<p>This was considered a level 2 pass.</p> <p>Because many aspects of Level 3 because were in place, processes for reviewing value for money have improved, procurement is good, and significant efficiency gains have been realised.</p> <p>However, the Constabulary's performance against the new elements introduced for this year's assessment (workforce planning, ICT, and data quality) only met the minimum requirements.</p> <p>In particular, progress on workforce planning has been slow and there remains no overall workforce strategy or action plan. Also, the Constabulary lacks a clear approach to dealing with identified skill shortages.</p>

# Status of the report and next steps

- 25 The report has been discussed and agreed with the Chief Executive and the Treasurer of the Police Authority and the Director Finance and Resources of the Constabulary. It will be presented to the Police Authority Governance Committee. The scores, key messages and improvement opportunities will be included in the Police Authority's 2007/08 Annual Audit Letter.
- 26 As part of the improvement planning processes consideration should be given to putting in place a mechanism for monitoring the implementation of improvement opportunities arising from the PURE review, using the action plan at Appendix 1.

# Appendix 1 – Action plan

Page no.	Recommendation	Priority Low Med High	Responsibility	Agreed	Comments	Date
<b>Financial reporting</b>						
R1	<p>The Authority should:</p> <ul style="list-style-type: none"> <li>ensure that changes to BVACOP and the SORP are formally noted and acted upon as part of the final accounts closedown process; and</li> <li>include full summary statements in the Annual Report.</li> </ul>	M				
<b>Financial Management</b>						
R2	<p>The Authority and Constabulary need to ensure:</p> <ul style="list-style-type: none"> <li>the IT strategy and workforce strategy are finalised and costed with clear links to the MTFS;</li> <li>budget monitoring is related to operational activity indicators, so there is a link between activity and expenditure where possible;</li> <li>put in place arrangements to receive accrued financial monitoring reports at appropriate key points during the year, including significant revenue account items and balances;</li> </ul>	M				

## Appendix 1 – Action plan

Page no.	Recommendation	Priority Low Med High	Responsibility	Agreed	Comments	Date
	<ul style="list-style-type: none"> <li>• demonstrate that the Constabulary senior management team has reviewed its effectiveness in regard to financial management and has put in place an appropriate programme of training;</li> <li>• finalise its IT Strategy and ensure it is integrated with its other key strategies, such as the MTFS; and</li> <li>• ensure performance management is improved by the greater use of comparative data, both within and outside the Constabulary, with targets set to drive improvements in VFM and sustainability.</li> </ul>					
<b>Financial Standing</b>						
	R3 The Authority and Constabulary should monitor key financial health indicators, and then use them to set and deliver challenging targets, for example, on levels of variances from budget, prudential framework indicators, and capital programme management.	M				

Page no.	Recommendation	Priority Low Med High	Responsibility	Agreed	Comments	Date
<b>Internal Control</b>						
	<p>R4 The Authority and Constabulary need to ensure:</p> <ul style="list-style-type: none"> <li>the business risk management process specifically considers risks in relation to partnerships and provides for assurances to be obtained about the management of those risks;</li> <li>there is a documented process to ensure that all appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment; and</li> <li>develop a partnership register for the Constabulary that shows how risks are being managed, with a process for formally reporting progress.</li> </ul>	M				
	<p>R5 The Authority and Constabulary need to obtain assurance on a risk basis of the viability of its significant contractors' and partners business continuity plans.</p>					
	<p>R6 The Authority needs to ensure:</p> <ul style="list-style-type: none"> <li>a formal assessment is made of the impact of the Governance Committee, to enable it to demonstrate how it gives effective challenge to the Constabulary and an independent assurance on the risk management framework and associated internal control.</li> </ul>					

## Appendix 1 – Action plan

Page no.	Recommendation	Priority Low Med High	Responsibility	Agreed	Comments	Date
	<p>R7 The Authority and Constabulary need to be able to demonstrate that:</p> <ul style="list-style-type: none"> <li>• its members and staff exhibit high standards of personal conduct;</li> <li>• it has a strong counter fraud culture across the Authority;</li> <li>• staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption;</li> <li>• the risk of fraud and corruption is specifically considered in the Authority's and Constabulary's overall business risk management process; and</li> <li>• its staff, and staff within contracting organisations, have confidence in whistleblowing arrangements and feel safe to make a disclosure.</li> </ul>					

Page no.	Recommendation	Priority Low Med High	Responsibility	Agreed	Comments	Date
<b>Value for Money</b>						
	<p>R8 The Authority and Constabulary need to demonstrate that:</p> <ul style="list-style-type: none"> <li>• high performance is achieved across a range of key services while costs, including unit costs and transaction costs, demonstrate best value compared with other authorities and Constabularies.</li> <li>• the range of services delivered effectively addresses statutory duties and local needs, and are delivered to high quality standards.</li> <li>• overall spending, including overheads and capital, consistently demonstrates best value from resources.</li> <li>• they have a track record for effectively addressing areas of unintended high spending and emerging areas of budgetary pressure.</li> <li>• there is a sustained track record of investment leading to improved outcomes for users and sustainable efficiency gains. New investment is supported by clear targets and timescales for measuring improvement.</li> <li>• it uses its capital programme, with partners where appropriate, to challenge existing service models to achieve a transformation in service for users.</li> </ul>	M				

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