The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

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The Auditor General for Wales is totally independent of the National Assembly and Government. He examines and certifies the accounts of the Assembly and its sponsored and related public bodies, including NHS bodies in Wales. He also has the statutory power to report to the Assembly on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General also appoints auditors to local government bodies in Wales, conducts and promotes value for money studies in the local government sector and inspects for compliance with best value requirements under the Wales Programme for Improvement. However, in order to protect the constitutional position of local government, he does not report to the Assembly specifically on such local government work.

The Auditor General and his staff together comprise the Wales Audit Office. For further information about the Wales Audit Office, visit our website at www.wao.gov.uk

Design and production by the Audit Commission Publishing Team
Purpose of assessing police use of resources

1 At a time of limited growth in budgets for police services and demands placed on the service at an all time high, it is more important than ever that police authorities and forces use their resources effectively.

2 Nationally more than £11 billion of central government funding went into policing in 2006/07, up £4.2 billion or 65 per cent in cash terms in the last eight years. The increase in funding places an onus on police authorities and forces to assess effectiveness in use of resources and whether this investment has resulted in value for money outcomes for local people.

3 Although levels of crime have been falling since 1995 and there has been significant investment in police officer and staff numbers, it is unclear whether this has resulted in value for money outcomes for local people. Our recent report Neighbourhood Crime and Anti-social Behaviour – Making Places Safer Through Improved Local Reporting (Ref. 1) highlighted that many community safety partnerships could not assess whether their activities represented good value for money. We identified the need for improvements in performance management and data capturing systems to enable police authorities, forces and local partners to understand local issues better and to deploy scarce resources effectively.

4 Delivering effective use of resources is essential for all local services. For police authorities and forces, how well resources are used contributes directly to delivering safer communities. The current external environment and the police reform and modernisation agenda provides authorities and forces with a range of challenges including:

• developing proposals for greater collaborative and partnership working, modernisation of the workforce and moving towards effective delivery of combined shared services;
• a changing pattern of police funding with no growth budgets anticipated for the next three years;
• tackling national threats, such as serious and organised crime plus counter-terrorism, while delivering neighbourhood policing to all local areas;
• working with local partners, for example through local area agreements, to shape communities and improve local services and quality of life; and
• delivering local priorities with partners through crime and disorder reduction partnerships.

Role of auditors

5 The Code of Audit Practice (Ref. 2), issued by the Audit Commission in England, and the Code of Audit and Inspection Practice (Ref. 3), issued by the Auditor General for Wales, (the Codes) require auditors to review and report on whether police authorities have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. The scope of auditors’ work covers not only the audit of financial statements, but also aspects of corporate governance. This requires sound knowledge and understanding of the activities of police authorities.

6 In reaching their conclusions under the Codes, auditors are required to consider criteria which relate to police authorities’ arrangements for:
• establishing and monitoring of achievement of strategic and operational objectives;
• policy and decision-making processes;
• ensuring services meet the needs of users and taxpayers;
• engaging with the wider community;
• managing its finances, including the extent to which the medium-term financial strategy (MTFS) is linked to the delivery of strategic priorities; the matching of spending to available resources; and monitoring performance against budgets;
• ensuring compliance with policies, procedures, laws and regulations;
• managing operational and financial risks, including those arising from involvement in partnerships and joint working;
• performance management, including data quality; and
• ensuring standards of financial conduct, preventing and detecting fraud and corruption.
How police use of resources assessments are made

7 For the first time in 2005/06, police use of resources (PURE) has been assessed at all authorities in England by the Commission and in Wales by the Wales Audit Office (WAO). PURE covers many of the areas previously reviewed by Her Majesty’s Inspectorate of Constabulary (HMIC) as part of the finance and resources domain of the baseline assessment. In 2005/06, the results of PURE fed in to HMIC’s baseline assessment on finance and resources under domain 6D of the Policing and Performance Assessment Framework.

8 As is the case with local government and health sectors, PURE involves auditors making scored judgements across five themes:

• financial reporting;
• financial management;
• financial standing;
• internal control; and
• value for money.

9 Auditors made judgements on 11 key lines of enquiry (KLOEs) across these 5 themes. The KLOEs are high-level questions underpinned by audit criteria and evidence which enable auditors to make their judgements. Appendix 1 sets out more detail on each of the KLOEs.

10 The judgements on the five themes are used by the Audit Commission and the WAO to calculate an overall PURE score for each police authority and force which feeds into domain 6D of the Policing and Performance Assessment Framework.

11 PURE judgements have been made using four scores (Table 1).
Table 1
PURE scoring scale

<table>
<thead>
<tr>
<th>Score / level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Below minimum requirements – inadequate performance</td>
</tr>
<tr>
<td>2</td>
<td>Only at minimum requirements – adequate performance</td>
</tr>
<tr>
<td>3</td>
<td>Consistently above minimum requirements – performing well</td>
</tr>
<tr>
<td>4</td>
<td>Well above minimum requirements – performing strongly</td>
</tr>
</tbody>
</table>

Source: Audit Commission

12 The scores for each theme are calculated on the average of the scores for the KLOEs within that theme. The overall PURE score is determined by the Audit Commission and the WAO using a rules-based approach which is summarised in Table 2.

Table 2
Rules for determining overall score

<table>
<thead>
<tr>
<th>Score / level</th>
<th>Rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>At least two 4s and no scores below 3 on any theme</td>
</tr>
<tr>
<td>3</td>
<td>At least three 3s, no scores below 2</td>
</tr>
<tr>
<td>2</td>
<td>At least three 2s</td>
</tr>
<tr>
<td>1</td>
<td>Any other combination</td>
</tr>
</tbody>
</table>

Source: Audit Commission

13 The value for money element of PURE complements work completed by police authorities in producing their annual efficiency statement (AES). Auditors do not provide specific assurance on the AES. However, in reporting back to the police authorities on the results of their value for money assessment, auditors will have reported by exception where they have specific concerns about the process for compiling the AES.

14 Every police authority received from its auditor a PURE summary report setting out the authority's score for each theme and an assessment of performance against each KLOE. The reports set out the areas that need to be addressed for the authority to improve its performance.
Summary findings – police use of resources 2005/06

The overall assessment results show that police authorities and forces are responding well to the challenge of securing effective use of resources. Figure 1 shows the overall PURE scores across England and Wales.

Figure 1
Overall PURE assessment for police authorities

Source: Audit Commission and Wales Audit Office

The key headlines for 2005/06 PURE are:

- Ninety-eight per cent of police authorities in England and Wales were assessed as being at or above minimum requirements for their use of resources, which is encouraging.
- Sixty-five per cent of police authorities are performing well, 33 per cent are performing adequately and just one police authority has demonstrated inadequate performance.
While nearly two-thirds of police authorities are consistently performing above minimum standards, there is progress to be made as there are no police authorities assessed as performing well above minimum requirements.

17 Well-performing police authorities and forces are in a good position to respond to the changing national and local scene. Where police authorities and forces have performed well, they have had good arrangements in place for:

- aligning operational and strategic priorities and objectives with medium-term financial planning;
- developing collaborative working to improve the arrangements for managing and improving value for money;
- ensuring activity and performance data is being used to inform strategic and financial planning;
- planning ahead to address the future funding challenges faced within the police service and any impact this may have on financial standing;
- managing the budget throughout the year and actively addressing risks of underspending or overspending; and
- providing timely and accurate financial reporting to members and officers throughout the financial year.

Taking PURE forward

18 Looking ahead, police authorities and forces have the following opportunities to ensure continuous improvement in use of resources and value for money for local people:

- Working with partners, to integrate operational and financial performance management frameworks to allocate resources in line with area and neighbourhood priorities.
- Working with partners, to use performance and financial performance management frameworks to deliver and evaluate value for money outcomes for local people.
- Using benchmarking data to inform and improve how well resources are used within the authority, force and local area.
- Exploring the best opportunities for joint working and collaborative working.
Our PURE work identified some key improvement areas for police authorities and forces:

- Make better use of activity data, such as activity based costing, to assess how resources are being applied to activities within local areas.

- Working with partners, improve data and financial performance management systems to understand value for money at a local level and to direct resources to priority activities in the best way.

- Use benchmarking and performance data to challenge all aspects of resource utilisation and determine the best method for provision of services.

- Develop mechanisms to assess savings to be made and ensure value for money from partnerships and collaborative working.

- Police authorities need to develop their risk management arrangements.

- Provide the tools and training to equip members in understanding and providing effective scrutiny on financial management and financial reporting.

The detailed scores for each authority are summarised at Appendix 2. This report summarises the key findings from PURE in 2005/06. It also includes some case studies drawn from police authorities that have performed well or strongly.
Performance by each of the police use of resources themes

Financial reporting

21 The financial statements and local policing plans are the main vehicles for police authorities to demonstrate their accountability to taxpayers and local people for the stewardship and use of public money. Our assessment of financial reporting considered, in particular:

- the systems and processes put in place by police authorities and forces for producing financial statements;
- arrangements put in place by police authorities and forces to report on financial performance to taxpayers and local people; and
- the outcomes from the audit of police authorities’ financial statements for 2005/06, in particular the auditor’s opinion on the accounts and any matters reported to police authority members as a result of the audit of financial statements.

22 Figure 2 provides a summary of the auditor scores across each of the KLOE areas.

23 Financial reporting is an area of strong performance for police authorities and forces. Good standards of financial reporting are in place. The sharing of best practice should be easiest in this area as there are strongly performing authorities as well as clear professional expectations.

24 Overall 95 per cent of police authorities are performing adequately or more than adequately for financial reporting. Twelve per cent of police authorities are performing well above minimum requirements and only 5 per cent are not meeting minimum requirements.

25 Seventy-four per cent of police authorities are performing well or strongly in producing financial statements. Police authorities are consistently promoting external accountability, with 98 per cent performing adequately or better in this area. However, of these only 15 authorities are performing consistently above minimum requirements and there are no authorities performing strongly.
Police authorities and forces that performed well or strongly in this area were able to demonstrate:

- that only minor errors were included in the accounts provided for audit and the quality of working papers made available was in line with best practice, including explanations for significant differences in areas of accounts and interpretation of balances (Case study 1);

- a proactive approach to the preparation of the financial statements throughout the financial year, including timely and comprehensive closedown plans and action plans to address prior year issues (Case studies 2 and 3); and

Source: Audit Commission and Wales Audit Office
• training and reporting to members enabled a thorough understanding of the financial statements, resulting in robust scrutiny and challenge prior to the approval of accounts for audit.

27 Police authorities and forces have opportunities to strengthen arrangements for financial reporting. The most common areas identified for improvement were:

• consulting with a diverse range of stakeholders to establish what information they would like to receive and the format in which they receive it;
• publishing timely and relevant summary financial information which supports the needs of a diverse range of stakeholders; and
• to develop tools and reporting information to members which provide interpretation of the accounts, highlight key issues and which enables robust scrutiny prior to approval.

Case study 1
Financial reporting – Hertfordshire Police Authority
Involvement and ownership by members
Ensuring member engagement, understanding and robust scrutiny in relation to the financial statements presents a challenge for all police authorities. Hertfordshire Police Authority addressed this issue in June 2006 through the production and presentation by officers of a comprehensive and focused report to members of the audit working group on the draft financial statements, which:

• explained significant variances to all primary statements and notes;
• emphasised changes in accounts processes and their impact on financial statements;
• outlined changes to accounting policies with reasons, stating the implications for the financial statements; and
• outlined the implications of accounting issues on the future financial position of the Authority, with planned actions.

These reports were also supported by specific member awareness and training on financial statements and briefing sessions organised by officers of the Authority and Force for the chairman of the Audit Working Group. By investing in training and awareness on the importance of accurate and reliable financial reporting, the draft financial statements received extremely robust scrutiny, challenge and sound understanding by all members of the audit working group prior to approval.
Case study 2
Financial reporting – Thames Valley Police Authority

Early closure of accounts
The challenges of earlier accounts closedown requires all police authorities to be proactive in ensuring their accounts are accurate and reliable, and free from material error. This is an ongoing rather than annual process. Thames Valley Police Authority has a good track record in this area, as a result of:

- officers taking a proactive approach to highlighting issues relevant to the financial statements throughout the year;
- having a well developed and comprehensive closedown process;
- providing auditable accounts and working papers which are made available to the auditor in helpful formats with links to other financial systems; and
- ensuring appropriately knowledgeable and skilled staff are available to respond to auditor queries.

This good practice has resulted in the audited accounts containing only minor errors so the Authority was prepared to address the challenges of the earlier closedown timetable.

Case study 3
Financial Reporting – Sussex Police Authority

Delivering improvement
In response to a number of issues arising in the auditor’s report to those charged with governance in 2003/04, the Authority and Force have made significant improvements in the processes for financial reporting. This was achieved by the Force developing a comprehensive two-year plan with the aim of improving the quality of financial statements presented for audit and to meet the earlier closedown timetable. Specific actions included:

- a period nine closedown of accounts as a trial run for year-end production of financial statements;
- addressing long-standing asset management issues; and
- introducing a quality assurance process prior to submission of accounts for audit involving senior management review.
The Force developed and implemented the two-year plan and has been accountable to the Authority Corporate Governance Committee. These arrangements have resulted in a high standard of financial statements and working papers, resulting in only minor and trivial amendments following audit.

Financial management

28 Strong financial management will help police authorities and forces to address the challenges faced by police modernisation and reform. Future prospects on funding for police services places a greater onus on police authorities and forces to review all aspects of their financial planning and management.

29 Auditors’ assessments considered the robustness of arrangements to plan and manage finances, in particular reviewing:

- whether the medium-term financial plans, budgets and capital programmes are designed to achieve the strategic aims and objectives of police authorities and forces;
- arrangements in place for police authorities and forces to manage budgets; and
- management of the asset base, from a strategic perspective and specifically on information, management and technology (IM&T), estates and fleet management.

30 Figure 3 summarises the auditor scores by KLOE area.

31 Ninety-eight per cent of police authorities were assessed as having financial management arrangements that met, or were above, minimum requirements. The assessments for police authority’s arrangements the medium-term financial strategy (MTFS) and their performance for managing against budgets were broadly similar.

32 The weakest performing area related to how well the police authority and force managed their asset base and their IM&T service. Five police authorities were not meeting minimum requirements in this area, and a further 44 per cent were at minimum requirements.
Police authorities and forces that performed well or strongly in this area were able to demonstrate that:

- a robust MTFS is in place which aligns with strategic priorities, national and local priorities, risk management, capital and efficiency programmes (Case study 4);
- high quality and timely financial monitoring information is made available in a wide variety of formats to meet the diverse needs of users (Case study 5);
- all stakeholders have been consulted and communicated on the financial plans of the police authority and force (Case study 6).
members and officers of the authority have timely and accurate reporting tools to assist in scrutiny over the MTFS, financial planning and on the overall financial and performance framework for the police authority and force; and

- the authority and force have strong performance management arrangements to review the corporate asset base and the viability of future capital programmes (Case study 7).

34 Conversely, police authorities and forces that performed less well typically needed to address the following weaknesses:

- the MTFS is not specifically linked to strategic objectives, taking account of both local and national improvement priorities;
- the MTFS is not linked to other internal strategies and plans and does not sufficiently project plans over at least a three-year period;
- activity analysis is not being routinely used in setting financial plans and budget monitoring;
- the financial implications from partnership working are not being routinely considered in the MTFS and financial plans;
- the authority does not have sufficient information to performance manage the asset base and ensure the capital programme reflects financial and strategic priorities; and
- the absence of key controls such as an up-to-date scheme of delegation, procedure notes and interface between the budget and financial ledger which is resulting in less timely and accurate financial monitoring reports to members.

Case study 4
Financial Management – Kent Police Authority

Medium-term financial strategy

Developing medium-term financial plans and budgets, which involve all stakeholders and align with strategic and service planning priorities of a police authority and force, is essential in a complex and changing environment for police services. Kent Police Authority is well placed to address these issues by:

- modelling key resource requirements over a three-year period supported by clearly stated assumptions, scenarios and risk analysis which are presented to the Audit and Finance Committee;
• establishing a budget forum group within the Authority that enables appropriate challenge and scrutiny of medium-term plans and budgets to ensure plans address strategic objectives and preserve the financial position of the Authority; and

• developing a five-year capital strategy and programme that models the revenue implications of planned schemes and integrates them into the MTFS and annual budgets.

These effective arrangements link corporate business planning to financial planning and management in the medium term. They create ongoing and robust financial projections and risk assessments which are used to assess the effect of revenue and capital schemes on the financial standing of the Authority.

Case study 5
Financial Management – Sussex Police Authority

Providing management information

Providing timely, accurate, reliable and understandable financial information to different stakeholders is vital to enable sound decisions to be made by the Authority and Force. Sussex Police Authority has well established methods to provide information which meets the needs of different users, including:

• clear formal budget monitoring reports for members and senior managers with particular emphasis on risk areas such as overtime and sickness absence;

• standardised budget monitoring reports for basic command unit finance managers with regular liaison meetings between finance managers and the central finance function to ensure that information needs are addressed; and

• a programme of training to provide budgetholders with the skills to interrogate the Authority’s real time finance system and so develop their own locally tailored budget monitoring reports.

The strength of financial information systems and the quality of financial monitoring reports have ensured that the Authority and Force manage their performance against budget effectively, taking timely corrective action where necessary.
Case study 6
Financial Management – Durham Police Authority

Stakeholder involvement

Addressing stakeholder requirements while allocating resources to priority areas remains a complex balancing act for police authorities and forces. Durham Police Authority is proactive in striking this balance using ‘decision conferencing’ to involve all partners and stakeholders. This method ensures spending decisions align with the strategic aims and priorities of the Authority and Force. As a result there is a track record within the Authority and Force of meeting growth targets and savings proposals while also reallocating resources away from non-priority areas.

Case study 7
Financial Management – Norfolk Police Authority

Asset management

Measuring the effectiveness in the use of assets requires strong accountability and performance management frameworks within the police authority and force. Norfolk Police Authority has used its Property and ICT Committee to scrutinise the Force’s management of its asset base using information provided by the Force’s Performance Management Group.

The Force also uses comprehensive management arrangements to monitor and report performance to members and senior management including the use of local performance measures, benchmarking and user surveys.

The Authority and Force have been able to demonstrate that the overall management arrangements of its asset base have contributed to improved operational performance and achievement of policing objectives, in particular the provision of facilities which are fit for purpose.

Financial standing

Safeguarding the financial position of a police authority and force is critical in order to meet national and local priorities, while at the same time responding to the unplanned and unforeseen events common to police services.
36 Police authorities and forces are best able to safeguard financial standing by setting and keeping under review target levels of general balances and reserves. This involves exploring options on future levels of income and expenditure with members and officers, and developing indicators and tools to monitor their financial position on an ongoing basis.

37 Auditors assessed the robustness of arrangements in place at police authorities and forces to safeguard finances and the financial position in the medium term.

38 Figure 4 provides a summary of the auditor scores by KLOE area.

Figure 4
KLOE theme scores – financial standing

Source: Audit Commission and Wales Audit Office

39 Financial standing is one the highest scoring areas of the PURE review. Thirty-seven police authorities (86 per cent) are performing well or strongly. The remaining six police authorities are meeting minimum requirements. There are no police authorities assessed as not meeting minimum requirements.

40 Police authorities and forces were found to have a track record of successfully managing their financial position and are in a good position to plan and address the challenges faced by police reform, in particular the limited growth budgets proposed by the comprehensive spending review. The majority of police authorities and forces have good arrangements for:
• setting a policy on level of earmarked reserves and general working balances which is risk assessed, linked to the MTFS and strategic priorities;
• monitoring and taking corrective action on performance against target levels of reserve and balances throughout the financial year;
• consistently managing financial performance within budgets;
• ensuring the overall financial and performance framework has in-built targets and reporting tools to officers and members; and
• considering the opportunity cost of holding excessive reserves and balances, linked to strategic objectives.

41 Police authorities and forces should maintain the strong arrangements in place if they are to respond to the challenges of police modernisation. Police authorities and forces can improve further by:

• developing financial health indicators so that members and officers can routinely monitor the financial position and can take more informed decisions on future levels of reserves and balances;
• providing greater linkages to all internal plans and strategies in setting and reviewing levels of reserves and balances; and
• continuously reviewing and assessing the nature of reserves and balances so that these address the strategic priorities of the police authority and force.

Internal control

42 Maintaining a sound system of internal control has increased in importance in recent years across the public sector. All public bodies have invested resources to enhance the systems and processes for promoting and ensuring probity and propriety in the conduct of their business; for managing significant business risks; and to develop reporting and scrutiny arrangements on outcomes.

43 For police authorities and forces, specific developments have been made to improve the framework for providing members and officers with assurances on adequacy of internal control throughout the year. In addition, the role and importance of audit committees has been enhanced, strengthening scrutiny of reporting and reviewing of systems of internal control. This specifically includes consideration of the arrangements for preparing and reporting the statement of internal control (SIC) which supports the financial statements.
Increasing partnership and collaborative working between police authorities and forces also requires the internal control environment to be reviewed and updated.

For 2005/06 PURE, auditors assessed whether the authority and force have arrangements to:

- manage their significant business risks;
- maintain a sound system of internal control; and
- promote probity and propriety in the conduct of business, including the adoption of codes of conduct for members and officers of the authority and force, and arrangements to prevent and detect fraud and corruption.

Figure 5 provides a summary of the KLOE score by theme area.

Figure 5
KLOE theme scores – internal control

Source: Audit Commission and Wales Audit Office
Internal control is the weakest scoring area of the review. Although we did not make a distinction in scoring between authorities and their forces we did identify differences between the performance of forces and police authorities within this theme. Forces had well-established risk management strategies while police authorities are less well placed in this important theme and need to develop a culture of risk management with officers and members.

Despite this, 98 per cent of police authorities were assessed as performing adequately or more than adequately in this area. No police authority was assessed as performing strongly.

Thirty-three per cent of police authorities are performing consistently above minimum standards in managing their significant business risks. Most police authorities (56 per cent) are performing adequately, but there is a significant proportion (12 per cent) performing inadequately and not meeting the minimum standard expected. Performance on maintaining a sound system of internal control shows a similar picture, however there are more police authorities performing well (44 per cent).

Authorities’ arrangements to promote and ensure probity and propriety in the conduct of business were the aspects of internal control which were found to be performing best. Fifty-six per cent (twenty-four) of police authorities are performing well and one police authority has demonstrated strong performance. However there are three police authorities performing below the minimum requirements.

We found that forces’ arrangements for internal control were well established, in particular:

- risk management is strong, with risk registers, dedicated risk managers and strong links to their assurance framework, SIC and internal strategies (Case study 8);
- risk management is embedded throughout the force, where operational and front line officers have received training in risk assessments;
- partnership arrangements have been identified and mapped with a clear identification of risks;
- a sound framework is in place to provide members and officers with assurances on the internal control environment and evidence in support of the SIC (Case study 9);
- officer codes of conduct are in place promoting high standards of professional conduct which are highly publicised across the organisation (Case study 10); and
members and senior management have received training to raise awareness and understanding of their responsibilities on risk management and scrutiny over the wider internal control environment.

While arrangements are performing well in the forces, police authorities need to improve arrangements for managing internal control environment. The main areas of improvement for police authorities are in:

- developing a specific risk management policy or risk register for the authority so that this is integral to corporate business planning;
- developing a culture of risk management across the authority and force outside of core risk management groups;
- appointing a risk sponsor on the police authority or command team;
- providing training and guidance to officers and members who have the responsibility for managing risk within their responsibilities;
- reviewing the constitution and effectiveness of audit committees so that there is strong leadership by members in setting the agenda and holding management and auditors to account;
- monitoring compliance with policies and codes of conduct for officers and members; and
- reviewing and updating how whistle blowing policies have been communicated throughout the authority and force.

For police authorities and forces to perform strongly in this area, the following areas need to be developed:

- the authority should demonstrate corporate involvement in, and ownership of, the process for preparing the SIC;
- ensure that significant partnerships are included within the control environment and agreements are reviewed, monitored and updated; and
- the audit committee should undertake a self-assessment; in accordance with Chartered Institute of Public Finance and Accountancy guidance to determine whether internal control responsibilities are being fully discharged and to identify training needs for members and officers.
Case study 8
Internal Control – West Yorkshire Police Authority

Effective risk management

Effective risk management should be integral to the service and financial planning strategies and objectives of any police authority and force. West Yorkshire Police have good practice in embedding risk management arrangements into their corporate business planning processes through:

- an approved risk management strategy with a user-friendly policy statement and supporting guidance, which is made available to staff at all levels;
- risk being managed through a dedicated risk and insurance department, risk sponsors on the command team, risk champions and a risk management group responsible for reviewing and updating the risk management strategy and risk register;
- all new business cases for projects undergoing a risk assessment;
- authority members and officers with responsibility for business risk management have received training, dedicated support and advice;
- risks in relation to partnerships (ie, police community support officers) have been specifically identified and assurances provided on managing and mitigating risks; and
- the member committee responsible for business risk management receiving monitoring reports on a regular basis to provide assurances that appropriate action has been taken to manage corporate business risks.

As a result, there are robust arrangements in place in the Authority and Force that enable significant business risks to be managed and aligned with corporate planning processes, including strategic and financial planning, performance management and policy making.
Case study 9
Internal Control – Dyfed Powys Police Authority

Corporate involvement in the preparation of the SIC

Preparation of the police authority SIC requires corporate involvement from all members and officers of the police authority and force throughout the year. Dyfed Powys Police Authority can demonstrate corporate involvement in and ownership of the processes for preparing the SIC. An Internal Control Management Group which includes the Director of Finance and Resources meets twice a year. The terms of reference of this group include:

- compiling a detailed assessment of assurances underpinning SIC objectives;
- evaluating assurances and supporting evidence;
- drafting the SIC;
- implementing the action plan and allocation of responsibilities; and
- reporting to chief officers and members.

The Authority and Force have also implemented an assurance framework which enabled all significant control issues to be identified and relative strengths and areas for improvement to be mapped across to strategic objectives. This framework was used to support the Chief Constable’s and Treasurer’s report accompanying the SIC. Members of the appropriate committee had sufficient assurances to review and approve the SIC prior to approving the draft financial statements. This process is also clear evidence that the assurance framework is embedded in the Authority’s business processes.

Case study 10
Internal Control – North Wales Police Authority

Promoting ethical conduct

The Force is proactive in raising the standards of ethical conduct among its staff. In particular, the Chief Constable launched a highly visible initiative called ‘The Ground Rules’ which set out the standards and conduct expected of staff. This initiative was widely advertised throughout the force; rules and standards were presented on display stands, posters and the Force’s intranet site.

The introduction of ‘The Ground Rules’ has raised the profile of the standards and conduct expected of staff at the force. Its wide publication provided staff with the clear commitment and understanding of what is expected while working in a professional and diverse environment.
Securing value for money is critical to all public sector bodies, including police authorities and forces which need to meet a range of local and national priorities.

Future funding and modernisation challenges for police authorities and forces will require a more innovative approach to assessing value for money at a local level and reviewing who is best placed to deliver services in the future. The Treasury paper (PEG 24(06)) *Delivering a Step Change in Police Productivity* (Ref. 4) has set out proposals for driving up productivity and efficiency in the police service as budget growth slows during the comprehensive spending review period.

Auditors assessed whether the police authority and force:

- currently achieve good value for money, by assessing how costs compared with others and whether these are commensurate with service delivery outcomes and policy decisions; and

- have arrangements to manage and improve value for money, by assessing performance management frameworks, efficiency planning and developments made with partnerships, procurements and investment decisions.

Figure 6 (overleaf) provides a summary of the KLOE score by theme area.

Ninety-eight per cent of police authorities are performing adequately or more than adequately in this area.

Currently 27 police authorities (62 per cent) are performing well or strongly in achieving good value for money. There are 15 police authorities (35 per cent) meeting the minimum requirements and 1 police authority performing inadequately.
We found a mixed picture in arrangements to achieve and improve value for money. Where police authorities and forces performed well, the following characteristics were found:

- a strong performance framework which evaluates cost and performance, resulting in efficiency targets being realised and exceeded (Case study 11);
- strong partnership working to deliver services, particularly in the use of joint consortia and e-procurements between police authorities and forces but also with wider partners in public and voluntary sectors (Case study 12);
• strong linkages between financial and performance management which ensured resources were directed to priority areas and outcomes could be directly measured;
• lower spending and higher quartile performance against Most Similar Force Groups, although areas of higher spending could be justified linked directly to strategic priorities and MTFS;
• using activity analysis to review skills and deployment of workforce in order to meet strategic priorities, reduce cost and improve performance;
• strong performance monitoring and data capture systems which enabled real time data on cost and performance to be used in financial and service planning;
• benchmarking is being used across services to identify, share and use best practice;
• investment decisions and capital programme are resulting in sustained performance improvement;
• income generation units have been established which look into external funding options to support local priorities and improvement; and
• action plans are in place to review future resource allocations, taking account of service efficiency reviews, workforce modernisation and partnership working.

61 However, all police authorities and forces have more to do in meeting the challenges of police modernisation, limited growth budgets and a move towards assessing value for money at a local and neighbourhood level. In a changing environment, police authorities and forces will need to have a much wider commitment to efficiency and productivity. This will mean examining all aspects of resource utilisation and exploring closer collaborative working between police authorities and forces and working with all partners to ensure that significant community benefits, in relation to community safety, health or the environment, have been delivered.

62 Assessing and improving value for money at a local and neighbourhood level remains underdeveloped. Paragraphs 18 and 19 provided an overview of the challenges faced by police authorities and forces; working with partners to demonstrate achievement of value for money and to assess how resources are being applied to activities with local areas. These areas represent the key improvement objectives for police authorities and forces in demonstrating that local people are getting good value for money policing and significant community benefits.
Police authorities and forces that are performing less well will find the challenge of meeting local and neighbourhood objectives difficult. Areas of common weakness identified from PURE which need to be addressed, include:

- financial and performance reporting systems were not aligned to assess achievement of strategic objectives and to measure inputs and outcomes;
- the lack of robust performance management systems to ensure that good quality data is used in decision making;
- partnership working was not being evaluated, in terms of how any joint working was contributing towards achievement of value for money;
- partnership working, including procurement, was not being explored as part of decisions on service delivery at a local level;
- limited capacity planning to address any gaps in skills and workforce required to deliver on strategic priorities;
- an absence of benchmarking data being used to improve performance as well as to capture and share best practice; and
- limited use of activity analysis to direct resources to priorities and in planning and delivering efficiency savings.

Case study 11
West Mercia Police Authority
Linking resources and priorities to operational decision making

Good value for money is achieved throughout the Authority and Force. Value for money is a result of the long standing culture of performance management arrangements which:

- align with corporate business planning processes, in particular financial management;
- ensure resources are directed to address national priorities and local needs;
- arise from a dedicated performance management framework owned by the force performance group;
- monitor the achievement of value for money through an assessment of costs and quality of services;
• ensure information is provided to members, the Chief Constable, senior officers and managers which enables value for money to be actively reviewed and challenged;

• use high-quality information to challenge costs and quality, including benchmarking; and

• cascade the principles of performance management from the force group to divisions.

Although the Authority is the second lowest spending police authority in overall terms, high performance is achieved across a range of functions.

Case study 12
Cleveland Police Authority

Collaboration and external funding sources

The Authority and Force have established good arrangements to manage and improve value for money, including the use of:

• partnership working, including private finance initiative schemes, consortia for provision of air support, national leads on an ammunitions contract, pilot authority for automatic number plate recognition and joint schemes with local authorities (ie, Hartlepool Neighbourhood policing project);

• effective procurement practices, including benchmarking and developing a strategy with links to the procurement centre of excellence;

• best value reviews to challenge service provision and re-direct resources, which in particular have resulted in changes to shift patterns and civilianisation of the control room; and

• iQuanta data to cascade performance management data to team and officer level which align to personal development review targets.

As a result of these processes resources are directed to address national and local priorities, and the Force achieves and exceeds its own targets for efficiency savings. By aligning performance review targets with strategic objectives, the Authority and Force are able to continue to monitor the achievement of value for money at all levels.
The way forward

64 Police authorities and forces should use the key messages identified in this summary together with the local summary reports to help improve their arrangements for use of resources.

65 Auditors will be updating their assessments at all police authorities and forces in England and Wales during 2006/07. Together with stakeholders, we have undertaken a post implementation review of PURE for 2005/06 which has informed the development of the approach for 2006/07, and we have consulted on revisions to the KLOE which auditors will consider.

66 PURE for 2006/07 will be a risk-based and proportionate refresh from 2005/06. Our objective is that PURE is to be used as an improvement tool for police authorities and forces. For this reason, only limited changes have been made to the KLOE criteria for 2006/07 to reflect specific police service issues and be consistent with local government and health sectors. We will issue a national summary of findings from 2006/07 PURE by December 2007 to provide police authorities and forces with key messages, direction of travel and an indication as to how PURE is contributing to performance improvement.

67 Looking further ahead, there is an opportunity to take a structured and cohesive approach to assessing use of resources for policing and community safety services. New performance frameworks are being developed; both as a result of Comprehensive Area Assessments (CAA) as envisaged in the Local Government White Paper, *Strong and Prosperous Communities* (Ref. 5) and Home Office proposals for future Assessments of Policing and Community Safety (APACS). The Commission will be publishing a consultation paper on CAA later this year. In Wales the Auditor General is reviewing the progress made by public services in implementing the ‘Making the Connections’ agenda to deliver better services.

68 To deliver CAA, and in Wales ‘Making the Connections’, it will be even more important that regulators share information about a local area and assessments of how well local people are being served by local services. The focus will be on outcomes and how effectively local services together are delivering towards the shared outcomes, one of which is safer communities. Risk assessments, knowledge and performance data will be needed by regulators.
Linking use of resources judgements to local services performance frameworks is key to assessing whether local people are getting good value for money policing and community safety services. Therefore, the Commission believes that APACS and CAA will be an opportunity for PURE to feed into assessments of policing and community safety. The Commission will be working with government departments and key stakeholders to explore how PURE and the other strands of activity on improving police use of resources can be pulled together.

As our thinking develops, the Commission will consult with police authorities and forces as well as representative groups on our future proposals for PURE and the wider regulatory framework for police authorities.

The Commission will continue to involve stakeholders on the future of PURE. We have shared our initial work on the development of police value for money profiles for 2006/07 PURE with stakeholders. We will be working with police authorities and forces, and relevant national bodies, to develop a longer-term interactive benchmarking and improvement tool for measuring value for money from police services.

Finally, the Commission and WAO would like to thank all those involved in PURE work at police authorities and forces which is contributing directly towards shaping our current and future approach.
Appendix 1 – Key lines of enquiry summary

Further details on the KLOEs and the assurances underpinning them can be found at www.audit-commission.gov.uk

### Table 3
KLOEs summary

<table>
<thead>
<tr>
<th>Key Area</th>
<th>Key Question</th>
<th>KLOE ref</th>
<th>KLOE</th>
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</thead>
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<tr>
<td>Financial reporting</td>
<td>How good are the authority’s and force’s financial accounting and reporting arrangements?</td>
<td>1.1</td>
<td>The authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</td>
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<td></td>
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<td>1.2</td>
<td>The authority promotes external accountability</td>
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<tr>
<td>Financial management</td>
<td>How well does the authority and force plan and manage their finances?</td>
<td>2.1</td>
<td>The authority’s medium–term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.</td>
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<td></td>
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<td>2.2</td>
<td>The authority and force manage performance against budgets.</td>
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<td>2.3</td>
<td>The authority and force manage their asset base (including their estate and vehicle fleet) and their IM&amp;T service.</td>
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<td>Financial standing</td>
<td>How well does the authority safeguard its financial standing?</td>
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<td>The authority manages its spending within the available resources.</td>
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<td>Key Question</td>
<td>KLOE ref</td>
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<td>Internal</td>
<td>How well does the authority’s and force’s internal control environment</td>
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<td>The authority and force manage their significant business risks.</td>
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<td>control</td>
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<td>The authority and force have arrangements in place to maintain a</td>
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<td>sound system of internal control.</td>
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<td>The authority and force have arrangements in place that are</td>
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<td>designed to promote and ensure probity and propriety in the</td>
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<td>5.2</td>
<td>The authority and force manage and improve value for money.</td>
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Appendix 2 – 2005/06 police use of resources scores

This analysis reflects the overall use of resources score and scores by KLOE themes

<table>
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<th>Police Authority</th>
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<th>Key area performance</th>
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Source: Audit Commission and WAO
References


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