

Annual Governance Report

Devon and Cornwall Police Authority

Audit 2008/09

September 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.
-

Ladies and Gentlemen

2008/09 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed and agreed with the Treasurer on 4 September 2009. It will be updated if any further changes take place.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 4 to 10);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- note the items in the financial statements which have not been adjusted. The reasons for this are set out in Management's Letter of Representation; (Appendix 3);
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 4); and

Yours faithfully

Name
District Auditor
Date

Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	7
Use of resources	Results	Page
Use of resources judgements	Yes	9
Arrangements to secure value for money	Yes	10

Audit opinion

- 1 Subject to satisfactory clearance of any outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Financial statements

- 2 The financial statements were submitted to us in advance of the required deadline of 30th June 2009. The statements were complete and supported by working papers.
- 3 There were adjustments to the financial statements during the course of our audit. None of these was material and these are included in Appendix 2.
- 4 There are a few items relating to the pension fund which have not been adjusted in the financial statements and these are included in Appendix 3.
- 5 A number of minor presentational adjustments were also made to the financial statements during the course of our audit although there are no matters we wish to draw to the attention of the Authority.

Key messages

Use of resources

- 6 I intend to issue an unqualified conclusion as the Authority had adequate arrangements in each of the criteria to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

7 I ask the Authority to:

- consider the matters raised in the report before approving the financial statements (pages 4 to 10);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- note the unadjusted items in the financial statements (Appendix 3). The reasons for not amending these items are set out in your Letter of Representation (Appendix 4);
- take note of the VFM Conclusion and Use of Resources summary (Appendix 5); and
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 4).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As Authority members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 8** Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
-

Errors in the financial statements

- 9** There were no material issues identified during the course of our audit.
- 10** There were five adjustments to the financial statements during the course of our audit and these are included within Appendix 2 to this report. The most significant of these relates to mis-classification of a long-term investment as a short term investment (£2.5m).
- 11** There are three items relating to the pension fund for which the financial statements have not been adjusted (Appendix 3) and the reasons for this are included in Appendix 4.
- 12** A number of minor presentational adjustments were also made to the financial statements during the course of the audit although there are no matters we wish to draw to the Authority's attention.
-

Adequate internal control environment

- 13** We have not identified any weakness in the design or operation of internal control that might result in a material error in your financial statements.
-

Letter of representation

- 14** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation.
-

Key areas of judgement and audit risk

15 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Tangible Fixed Assets – errors identified in previous year	Testing did not identify any errors
Investments – errors identified in previous year plus significance of treasury management given current economic climate.	Misclassification of a long term investment. Review of Treasury management did not highlight any significant issues.
FRS 17 – errors highlighted in previous year.	<p>One item to note on the value of the increased pensions net assets figure used by Actuary in determining FRS 17 figures. Accounting for the backdated Home Office commutation payments is consistent with the previous year’s treatment following advice from the actuary but does not now accord with the treatment set out in the latest CIPFA Local Authority Accounting Bulletin 74.</p> <p>Reversal of FRS 17 deficits from the General Fund may not be valid for the new police officer pension scheme.</p>

Use of resources

I am required to consider how well the Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude whether the Authority 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.

Use of resources judgements

- 16 In forming my scored use of resources judgements, I have 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.
- 17 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 18 The Authority's use of resources theme scores are still subject to our National Quality Assurance process and will become available from 14 September 2009. The overall conclusions for the three themes are set out in Appendix 5. The key findings and conclusions for the three themes, and the underlying KLOE will be set out in a separate report.

Table 2 **Use of resources theme scores**

Use of resources theme	Scored judgement
Managing finances	N/A until 14 Sept 09
Governing the business	N/A until 14 Sept 09
Managing resources	N/A until 14 Sept 09

Value for money conclusion

- 19** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 5. A more detailed report will be produced when the scores have been finalised by the Audit Commission.
- 20** I intend to issue an unqualified conclusion stating that the Authority has adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

Appendix 1 – Independent auditor’s report to Members of Devon and Cornwall Police Authority

Opinion on the financial statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Devon and Cornwall Police Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The Police Pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Devon and Cornwall Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer¹ and auditor

The Treasurer’s responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

Appendix 1 – Independent auditor’s report to Members of Devon and Cornwall Police Authority

- the financial position of the Police Authority and its income and expenditure for the year; and
- the financial transactions of its police pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the police pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the police pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the police pension fund accounting statements and related notes.

Opinion

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the police pension fund during the year ended 31 March 2009 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Devon and Cornwall Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

**Appendix 1 – Independent auditor’s report to Members of Devon and Cornwall
Police Authority**

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Alun Williams
District Auditor
Audit Commission
3-4 Blenheim Court
Lustleigh Close
Matford Business Park
Exeter
Devon
EX2 8PW

Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 3

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Long Term Investments	One short term deposit should have been classified as a long term investment rather than a short term investment.			2500	2500
Amortisation of government grants	Some new government grants were not written down in line with depreciation on assets funded by government grant.	145	145	145	145
Cash and Bank	The bank balance was overstated as one income item was processed twice.			53	53
Income	Income received by a BCU was incorrectly netted off expenditure.	182	182		
Fixed Assets	The value for operational vehicles				

Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
	<p>and plant and equipment as at 31 March 2008 as disclosed in note 13 (Movement of Fixed Assets) was shown net of disposals during 2008/09. The opening balance should be increased and the disposal disclosed separately.</p> <p>(Representation of the balances in Note 13 totalled £1909k)</p>				

Appendix 3 – Unadjusted items in the accounts

The following matters were identified during the course of my audit. The items are not material and the financial statements have not been adjusted by management. The unadjusted items and the reasons for this are set out in Management’s Letter of Representation. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Description of item	Accounts effected	Value of item £Million
<p>FRS 17 Pensions – Increase in share of Net Assets.</p> <p>The audit of the Devon Pension Fund identified an increase in the net assets. The Authority’s share of this increase is £0.9m.</p> <p>The Authority has no control over this item.</p>	Pensions	0.9m
<p>FRS 17 – Accounting for backdated Home Office Commutation Payments.</p> <p>This was first accounted for in 2007/08. Accounting treatment in 2008/09 for these costs is consistent with LAAP 65 and the advice given by the Actuary to the Authority last year but it does not accord with the latest CIPFA guidance on this set out in LAAP 74.</p>	Pensions	2.135m
<p>FRS 17 – Reversal of FRS 17 deficits from the General Fund.</p> <p>The ‘statutory over-ride’ which allows the reversal of the FRS deficits in the General Fund has been drafted in a way which does</p>	Pensions	In the absence of clear guidance from CLG the exact value involved is uncertain – however it will not be material to the

Appendix 3 – Unadjusted items in the accounts

Description of item	Accounts effected	Value of item £Million
not include transactions relating to the new police officer pension scheme. CLG are currently considering the national implications of this.		Statement of Accounts

Appendix 4 – Draft letter of representation

Alun Williams
District Auditor
3 – 6 Blenheim Court
Lustleigh Close
Matford Business Park
Exeter
EX2 8PW.

Dear Mr Williams,

Financial Statements for the year ended 31 March 2009

This letter of representation is provided in connection with your audit of the financial statements of Devon & Cornwall Police Authority for the year ended 31 March 2009. It is intended to support your opinion as to whether the financial statements present fairly the financial position of the Authority.

I acknowledge my responsibility under the relevant statutory authorities for preparing financial statements that present fairly the financial position of Devon and Cornwall Police Authority and for making accurate representations to you.

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the Devon and Cornwall Police Authority and Force, that the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2009 are accurate.

The Financial Statements were approved by the Police Authority on 26 June 2009. A number of non-material errors have been adjusted and the corrected accounts have been approved under delegated arrangements by the Chairman of the Authority and the Chairman of Resources Committee.

Accounting Policies

The financial statements are presented fairly in all material respects and in accordance with applicable accounting standards. The Police Authority's accounting policy with regard to pension commutations reflects LAAP bulletin 65 and not LAAP bulletin 74. This corresponds with the advice received from our actuary. They are in accordance with the books and records showing the financial position of the Authority at 31st March 2009 and its income and expenditure for the year ending 31st March 2009. I confirm the Authority is not part of a group of entities for accounting purposes.

Supporting Records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information which might affect the fair presentation of, or necessary disclosure in, the Statement of Accounts, including minutes of the Authority and relevant management meetings, have been made available to you and no such information has been withheld.

Assets

The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets. No assets have been pledged as collateral.

Related party transactions

I confirm that to the best of my knowledge and belief the information provided regarding the identification of related parties is complete and accurate.

Employee Benefits

I confirm that I have made you aware of all employee benefit schemes in which the employees of the Authority participate.

Contractual Arrangements / Agreements

All contractual arrangements entered into by the Police Authority with third parties have been properly reflected in the accounting records or, where material (or potentially material) to the Statement of Accounts, have been disclosed to you. At the date of the financial statements there were no contingent liabilities, material commitments or contractual issues, other than those already disclosed in the financial statements.

Appendix 4 – Draft letter of representation

Law, regulations and codes of practice

I am not aware of any instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority. There have been no communications from regulatory agencies concerning non-compliance with or deficiencies on financial reporting practices that could have a material effect on the financial statements.

Fraud and Irregularities

I understand that the term “fraud” includes misstatements resulting from fraudulent financial reporting and misstatement resulting from misappropriations of assets. I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

I confirm that to the best of my knowledge and belief there have been no instances or allegations of fraud or suspected fraud affecting the Police Authority involving:

- management and those involved with governance;
- employees who have a significant role in internal controls;
- other employees that could have a material effect on the financial statements;

I have written to you separately giving my assessment of the risk that the financial statements may be materially mis-stated due to fraud.

Unadjusted Items

I confirm that to the best of my knowledge and belief any uncorrected misstatements are immaterial individually and in aggregate. However, there are a number of unadjusted items and these are shown in below along with the reason that they have not been adjusted.

Unadjusted Item	Reason
Variation between the estimated value of the Authority’s share of the net assets in the Local Government Pension Fund as at 31 March 2009 and the actual amount - £0.9m	The estimated figures were provided in good faith and in accordance with proper accounting practices. As the variation between the estimate and the audited figure is not material and as any correction would not impact on the Police Authority’s general fund balance and hence its need to raise council tax this item has not been corrected

Unadjusted Item	Reason
<p>Back dated commutation payments not in accordance with LAAP bulletin 74 - £2.135m</p>	<p>Changes to commutation factors are viewed by the Police Authority as a change in benefits and for this reason are treated as a past service cost. This treatment accords with LAAP Bulletin 65 and with advice received from our actuary but not with LAAP Bulletin 74. The impact of the treatment adopted is to increase the deficit on the income and expenditure account by £2.135m. There is no impact on the Police Authority's general fund balance and hence its need to raise council tax.</p>
<p>Reversal of FRS 17 deficits for the New Police Pension Scheme from the general fund</p>	<p>The omission in the legislation has only recently been identified and no guidance has been received as to how it should be corrected. For this reason an accurate calculation of the adjustment required is not possible. It is my belief that our treatment is the most appropriate in the current difficult circumstances. The objective of the statutory framework has been to avoid an impact on the general fund and there is no reason to believe that any revised arrangement will change this.</p>

Fair Values

I have assessed the assumptions with regard to the valuation of balances and fair value disclosures. With regard to the valuation of fixed assets and financial instruments I confirm that:

- appropriate measurement methods have been used
- that balances and disclosures are complete and appropriate under the financial reporting framework
- subsequent events do not require adjustment to the fair value measurement

Appendix 4 – Draft letter of representation

Events arising after 31st March 2009

On the 30 May 2008 the Home Office issued revised regulations with regard to commutation of pension payments for retiring police officers. The revised regulations were initially back dated to 1 October 2007, however, following a judicial review, a High Court judgement was made to back date the commutations to the 1 December 2006. The Home Office instructed Administrators on the 1 May 2009 to make the additional payments. The effect of this post balance sheet event has been reflected in both the Income and Expenditure Account for 2008/09 and the Balance Sheet as at 31 March 2009.

Signed on behalf of Devon and Cornwall Police Authority
Name John Glasby
Position Treasurer

Appendix 5 – Use of resources key findings and conclusions

The following tables summarise the key finding and conclusions for each of the three use of resources themes.

Table 4 **Managing finances**

Theme score
Key findings and conclusions
<ul style="list-style-type: none"> • The Police Authority integrates its financial and corporate planning processes. • There are comprehensive, balanced and realistic budgets set, supported by a structured medium term approach to deliver savings and efficiencies. • The Police Authority has short and long term objectives/priorities supported by robust financial planning. • The Police Authority, in consultation with its local public service partners, has identified local priorities/targets and set aside funding to meet these local priorities. • The Police Authority operates within its budget while maintaining good service performance. • Corporate management routinely challenge financial assumptions and performance. There is a good understanding of the Authority’s costs and performance. • The Police Authority makes good use of activity analysis data to analyse its performance and deploy resources effectively. It makes use of comparative data and benchmarking takes place at all levels, both strategically and at an operational level.

Appendix 5 – Use of resources key findings and conclusions

<ul style="list-style-type: none"> • The Police Authority is delivering on its efficiency agenda and has an excellent track record in achieving efficiency savings. Efficiency plans are reviewed by senior management and Members. • Budget monitoring and forecasting information is timely, reliable, relevant and understandable and leads to prompt action to address any variances or other issues. In year financial monitoring and forecasting information is consistent with the financial information reported externally to stakeholders at the year-end. • The Authority considers financial information alongside related performance information linked to strategic objectives to monitor performance. 	
KLOE 1.1 (financial planning) Score VFM criterion met	1/2/3/4 Yes
Key findings and conclusions	
<ul style="list-style-type: none"> • The Police Authority integrates its financial and corporate planning processes. It has set and approved a comprehensive, balanced and realistic budget, supported by achievable savings plans. There is a structured medium term approach to delivering savings and efficiencies. • A robust Treasury Management strategy is in place and performance is monitored against this. • The Police Authority has set itself short and long term objectives/priorities. Financial planning contributing to improved outcomes in relation to these objectives/priorities can be seen in the Frontline Policing Programme where efficiencies (removal of 196 back office posts) have been identified in order to increase frontline officer resources and as a result of efficiencies being delivered 173 officers (31/03/09 - 200 officers) have been redeployed to the frontline from administration duties. • The Police Authority, in consultation with its local public service partners, has identified local priorities/targets and set aside funding to meet these local priorities. Eg. Community safety partnerships where need has been identified within local communities and partnership arrangements entered into with the financial implications flowing through 	

Appendix 5 – Use of resources key findings and conclusions

to the Medium Term Financial Strategy.

- There is ownership and awareness of the financial planning process by management and staff
- The Police Authority involves its external stakeholders in the financial planning process to deliver organisational and shared objectives. Eg. through consultation exercises carried out (QSR victim survey, anti social behaviour survey and general public survey, Partners and Communities Together initiatives) in line with its community engagement strategy and the regular panel meetings held. The outcomes are joint financial plans for areas such as drugs, youth offending, safety camera partnership.
- The Police Authority has involved its stakeholders and consulted local people/communities by holding consultations at various times of the day, in different formats (i.e. surveys, panel meetings, attendance at local community events/places), and has worked with a strategic independent advisory group that represents all areas of diversity in order to ensure interaction with various minority groups across the force area.
- The Police Authority has consistently performed within its budget and levels of balances have been maintained within the range determined by its policy (between 2% and 3%).
- Financial standing at the Authority is sound. It has a track record of operating within its budget while maintaining good service performance.
- Performance indicators such as satisfaction levels have remained consistent if not improved whilst the authority has delivered its efficiency savings over the last year i.e. 83.9% satisfaction with service whilst delivering savings (such as reducing support costs) and achieving budgets.
- Individual and collective responsibility for the stewardship of use of resources and financial accountability is set out in scheme of delegation and includes all senior officers and members.
- The Police Authority and Force corporate management routinely challenge financial assumptions and performance and a culture of transparency about the financial position, this is evident in the presentations and reports presented to committees/working groups, external reporting and the delivery of balanced budgets.
- The Police Authority incorporates action plans relating to internal and external audit reports into its database for management. A recommendations closure group ensures that all accepted recommendations are implemented.
- Police Authority members and the corporate management team provide constructive challenge and scrutiny to

Appendix 5 – Use of resources key findings and conclusions

financial plans and financial management arrangements to ensure that they remain robust and fit for purpose.	
KLOE 1.2 (understanding costs and achieving efficiencies)	
Score	1/2/3/4
VFM criterion met	Yes
Key findings and conclusions	
<ul style="list-style-type: none"> • The Force and Authority can demonstrate a good understanding of its costs and performance. This understanding is supported by an effective Financial Management System which allows the Force to analyse its costs and the Force are in line with the best practice set out in the Police Objective Analysis. • It makes good use of activity analysis data underlying Activity Based Costing to analyse its performance and deploy resources. It also makes extensive use of comparative data and benchmarking takes place at all levels, both strategically and at an operational level. There are high level reports of family comparisons and BCU comparisons. • Benchmarking is embedded into day to day operational activity. • The Force undertakes whole life costing well and has a well established business case approach for evaluating major investment projects. • Investments during the year have improved the quality of performance management data which has led to better presentation and delivery of information. This has helped readers better understand information presented. There are high quality reports in place but these are always evolving and the Force continually strives to improve these. They have also recently developed a balanced scorecard approach which is linked to deliverables. • The Force is delivering well on its efficiency agenda and has an excellent track record in achieving efficiency savings. In 2008-09 it achieved efficiency savings above the three percent targets set by the Home Office. There are good efficiency plans in place and these are challenging but realistic. These are reviewed regularly by senior management and Members. 	

Appendix 5 – Use of resources key findings and conclusions

<ul style="list-style-type: none"> The Force has also adopted the HO Productivity and Efficiency Strategy and works hard to identify efficiencies for example it has identified the scope for making efficiencies through QUEST and Corporate Services Transformation. Also there is further scope to deliver significant efficiency and productivity savings through the many initiatives planned to deliver the Force Vision 2012. 	
KLOE 1.3 (financial reporting) Score VFM criterion met	1/2/3/4 Yes
Key findings and conclusions	
<ul style="list-style-type: none"> Budget monitoring and forecasting information is timely, reliable, relevant and understandable and leads to prompt action to address any variances or other issues. In year financial monitoring and forecasting information is consistent with the financial information reported externally to stakeholders at the year-end, with no significant variances. Forecasts are subject to risk and sensitivity analysis i.e. illustrative cost of borrowing and the effect on the council tax of various spending plans. Internal financial monitoring and reporting during the year is relevant, understandable and accruals based, ensuring a clear link between the budget, in-year forecasts and actual year-end position, and helps timely and efficient accounts closure - the authority has closed down its accounts and produced its financial statements and supporting working papers in line with deadlines. This year the authority was able to produce its financial statements three weeks in advance of the June deadline. Financial information is produced in a timely manner with a set timetable for monthly closedown and budget statement production. As part of the monthly closedown process the Authority's internal audit department run a continuous auditing programme on its payroll output to identify any large spikes in expenditure and obtain explanations for these variances. 	

Appendix 5 – Use of resources key findings and conclusions

- The authority considers financial information alongside related performance information linked to strategic objectives to monitor performance.
- The police authority and force's financial systems are accessible and provide for timely, tailored and useful information as they allow budget holders to access monitoring and forecasting information, enable ad-hoc specialist reports to be run and produce profiles financial monitoring reports for budget holders. Police authority reports are provided with a written commentary that ensures sufficient and relevant information is provided to support the decisions the user will have to make.

Table 5 **Governing the business**

Theme score	
Key findings and conclusions	
<ul style="list-style-type: none"> • The Procurement service has a clear vision which shapes service delivery. • There is a robust sustainable procurement strategy in place that takes into account the social, economic and environmental impact that purchasing has on people and communities. • The Force works well in ensuring potential suppliers are involved in the procurement process, supported and understand the Force requirements. • There is a comprehensive and robust information sharing protocol with partners. • Performance summary reports are clear, provide good analysis of performance against targets and include trend analysis and recommendations for further action. 	

Appendix 5 – Use of resources key findings and conclusions

<ul style="list-style-type: none"> • The Authority has adopted a local code of corporate governance. • Members and senior officers receive a thorough induction tailored to their role. • The Police Authority proactively disseminate information to staff, local people and communities that highlights the importance of the ethical agenda and in particular the importance of maintaining high standards of conduct. • The Police Authority identifies and manages corporate business risks in line with its risk management strategy. It considers risks relating to significant partnerships and requires officers to obtain assurances about the management of those risks. • Risk management is embedded within the organisation’s business processes. • There is a pro-active programme of counter fraud and corruption work which is adequately resourced, risk based and proportionate. The police authority manages fraud as a corporate risk. 	
KLOE 2.1 (commissioning and procurement) Score VFM criterion met	1/2/3/4 Yes
Key findings and conclusions	
<ul style="list-style-type: none"> • There is a robust sustainable procurement strategy in place. • The purchasing of goods and services takes into account the social, economic and environmental impact that such purchasing has on people and communities. • Within the Sustainable Procurement strategy the Constabulary has stated that it will ensure that the sourcing strategy agreed for all goods and services fully supports sustainability. All tender opportunities ensure that local suppliers have the opportunity to bid by allowing geographical awards of business, where practical and cost effective. • The Constabulary actively engages with the local supply market through local business events, and encourages 	

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local suppliers to bid for contract opportunities. Within the public procurement rules, the key opportunity to consider environmental issues is at the earliest stage of the process, in defining user requirements. The Constabulary requires all suppliers awarded contracts to have sustainable and environmental policies to ensure that the end to end supply chain is sustainable.

- There is a clear vision for procurement and a robust Strategy in place, and most procurement decisions are supported by National Policy and collaborative working.
- The procurement service drives a purchasing regime which engages wider social, economic and environmental issues. It continually strives to deliver improvements in purchasing, efficiencies and value for money. It has undertaken a service review and improvements include the updating of Financial Standing Orders. Further improvements include a central purchasing hub and changes in Policies. In particular a procurement options appraisal is to be undertaken for all contract requirements up to the value of £40,000. This is to ensure that the most appropriate route is followed based on the assessment of the risks relative to the commodity being purchased. Such considerations will include supply market analysis, materiality, collaborative opportunities, operational significance, timeliness and corporate social responsibility.
- The Force works well in ensuring potential suppliers are involved in the procurement process, supported and understand the Force requirements. For example, it has used e-procurement methodology for a number of years and supports businesses in using this forum. Also the Force is planning to undertake a bidders' day which includes a presentation to anyone who has expressed an interest to bid for the command and control system. The aim of the day is also to stimulate interest and maximise the number of potential appropriate bidders so that the Force can create a strong and competitive field of suppliers. It also aims to focus suppliers on the need to give best value and enabling consortium building between bidders.
- The Force works well in collaboration, for example as part of the Devon Procurement Partnership they have collaborated with other public sector bodies in Devon for the supply of gas and electricity. There is good evidence that the Force undertakes option appraisals in purchasing decisions. There are good examples of purchasing decisions that have achieved savings and improved services for users, for example, the Employee assistance programme. Work was undertaken in close liaison with the Occupational Health Support Unit which has resulted in annual savings of £76,000 and an employee assistance programme which is available to all staff and their family members.

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<ul style="list-style-type: none"> E-procurement has developed well in the Force. DCPA has been proactive and a front runner in the development of e-procurement. It has led on a national e-procurement project which has resulted in the development of a national contracts database which is utilised nationally by all Forces and Fire and Rescue Services (Blue light Procurement Database (BLPD)). They are also currently working with the NPIA and Office of Government Commerce, to upload contracts awarded by them, which are open to Police forces to use. 	
KLOE 2.2 (data quality and use of information) Score VFM criterion met	1/2/3/4 Yes
Key findings and conclusions	
<ul style="list-style-type: none"> The Force has developed strengths in the management of its information, but there remains some areas for improvement. The absence of a fully integrated electronic system for recording HR and duty management information, together with cultural obstacles in some BCUs, results in the Force not having consistently accurate information about its employees or their deployments. The Force does not have an overarching Data Quality policy in place, but does have up to date guidance for each of the existing systems and databases, together with designated business owners who are responsible for ensuring compliance. There is also a comprehensive and robust information sharing protocol with partners. The policy, approved in 2007 and revised in 2008, addresses all legal and statutory requirements and requires all personal data to reach the standard of BS7666. All the Force's partnerships are listed together with nominated officers in each partnership. The protocol covers all agencies, contractors and service partners engaged with the Force. The Force has made recent improvements to its performance management information through the purchase of new software. This enables senior managers and the performance team to interrogate 55 different databases to produce a corporate scorecard, providing a good overview of a wide range of organisational indicators. Each BCU and departmental teams have access to the system and can drill down into finer detail on a range of operational 	

Appendix 5 – Use of resources key findings and conclusions

information. Performance summary reports are clear, provide good analysis of performance against targets and include trend analysis and recommendations for further action. Some reports, such as serious crime rates, provide weekly trend data, allowing more rapid operational decisions to be made. Other reports provide updates on organisational matters such as completion rates of PDRs. This helps managers to target action on under-performing areas.

- Further investment is being made through the Quest programme to improve business processes across the force. This includes a detailed assessment of call handling and grading in control room, resulting waste and inefficiencies being identified. Estimates show that 20,000 staff hours are being wasted through the wrong call gradings being applied to calls, resulting in police attendance at incidents which should not require a police presence. It is too early judge the Force's actions to address this as the study continues.
- The Force has in place up to date and comprehensive policies to safeguard its data. This includes an Information Security, Data Protection and Freedom of Information policies. The Force tracks security incidents, which reached a peak of 307 in 2007, reducing to 168 in 2008. The reduction was achieved as a result of a security audit, raised awareness programme and changes to incident recording to British Standards.
- There are robust policies in place for business continuity and disaster recovery.
- Performance management arrangements are evolving and being strengthened. New groups chaired by senior managers, including the Performance Improvement and Tasking Group and Recommendations Closure Group, take an active role in performance matters and provide good corporate oversight of key business areas and performance matters. This is intended to improve accountability, however, the benefit arising from these new groups is varied; while there is evidence of robust challenge to project progress and delivery there are also examples of significant slippage.

KLOE 2.3 (good governance)

Score

1/2/3/4

VFM criterion met

Yes

Key findings and conclusions

Appendix 5 – Use of resources key findings and conclusions

- The Authority constitution was updated in 2008. This contains a comprehensive protocol for member officer relations, a protocol for lead members (which clearly defines their role) and Terms of Reference for Committees. Respective roles are also clearly set out in the scheme of delegation. This provides clarity to members and senior officers about their and each other's respective roles.
- The Authority has adopted a local code of corporate governance. Members and senior officers receive a thorough induction tailored to their role in the police authority and force. The authority uses individual personal development plans for members that identify skill gaps and inform the training plans for the year ahead. All members have had a one to one meeting with an external advisor tasked with drawing up personal development plans. These plans feed the training plan for the year ahead.
- The Authority and force leadership has a vision of what it wants to achieve for its local communities and this is set out in its annual local policing plan.
- The Authority is committed to engaging with stakeholders and local people, including minority and vulnerable groups, this is done via various consultation exercises. The results of the consultation exercises are developed into policing strategic priorities. The Authority has set up an initiative called 'Operation Talents' where small amounts of Force resources have been used in partnership with other local authorities and commercial partners and in consultation with local residents to achieve outcomes for the community - an example of this is the joint working with local Co-op stores to improve CCTV coverage which has led to a reduction in anti-social behaviour.
- The leadership in the Police Authority and force maintains focus on delivering the organisation's strategic priorities and is not distracted by internal disputes. There are good working relationships between members and officers with these often working together on joint projects (community safety partnerships) to deliver improvements and priorities.
- The Police Authority has a standards committee in place to receive and investigate allegations of breaches of proper standards of conduct.
- Professional standards and codes of conduct are in place for police officers and police staff.
- The Authority and Force monitors compliance with its codes and procedures.
- The Police Authority proactively disseminates information to staff, local people and communities that highlights the

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<p>importance of the ethical agenda and in particular the importance of maintaining high standards of conduct within the authority and force to ensure probity. This is evident in the local policing plan issued by the authority along with the policing pledge. The Police Authority communicates progress made in developing the ethical environment to stakeholders and local people and communities. This is done via its local policing plan.</p> <ul style="list-style-type: none"> The Police Authority and Force has identified its significant partnerships and ensures each of them has an appropriate form of governance that is formally documented (Partnership strategy). 	
<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>1/2/3/4</p> <p>Yes</p>
<p>Key findings and conclusions</p> <ul style="list-style-type: none"> The Police Authority identifies and effectively manages corporate business risks in line with its risk management strategy. The Corporate Governance Committee, along with the Risk Management Group, ensure that there are regular reviews and effective management of current and future risks. The Authority's risk management process considers risks relating to significant partnerships and requires officers to obtain assurances about the management of those risks. Authority staff receive relevant training and guidance. Risk management is embedded within the authority and force's business processes. The Police Authority equips all authority members to effectively undertake their roles and responsibilities for risk management - risk and uncertainty training delivered annually. The Police Authority has a sound system of corporate governance evidenced by Annual Governance statement and internal and external reviews. The Police Authority and Force has a counter fraud and corruption strategy approved by the police authority and 	

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made available and communicated to all staff.

- The Police Authority and Force has a pro-active programme of counter fraud and corruption work which is adequately resourced, risk based and proportionate, and which aims to create a zero tolerance culture.
- The Police Authority manages fraud as a corporate risk.
- The Police Authority can demonstrate effective participation in the National Fraud Initiative.
- The Police Authority and Force assesses its counter fraud arrangements and performance against professional guidance, best practice and the findings of its own reviews. It strengthens its systems and procedures in response.
- The Police Authority has effective working arrangements and shares intelligence with relevant partner organisations - for example DWP, HMRC and Devon Pensions services.
- The Police Authority ensures that there is a sound system of internal control which includes - delivering the core functions of an audit committee; providing effective internal audit in accordance with relevant requirements; an assurance framework informing transparent governance reporting; standing orders, standing financial instructions and a scheme of delegation; ensuring compliance with relevant laws and regulations and that expenditure is lawful; and sound internal financial control for key systems.

Table 6 **Managing resources**

Theme score	
Key findings and conclusions	
<ul style="list-style-type: none"> • The Force has in place a clear strategy for being a top performing force by 2012. The strategy incorporates the People Strategy as a key part of the change process. Communications materials, including roadshows by senior staff, have been used to raise awareness throughout the force. 	

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<ul style="list-style-type: none"> • The force has in place key strategies for developing its workforce and is making progress in the delivery of these. The strategies include the Operational Policing Strategy, Public Service Strategy and the People Strategy. Implementation plans are in the process of development. • The Force has developed strengths in the management of its information, but there remain some areas for improvement. • The Force is in a transitional period at present as it makes changes to the organisation in the HR division. • The Force has developed its approach to training and development to reflect the overarching organisational strategy. The force now has a more systematic and managed approach to training budgets. There are clear plans in place for delivering further improvements. • While the Force has achieved an overall workforce that reflects its community, progression remains an issue with no black or ethnic minority police officers above the rank of inspector, and a balance of males and females in a number of specialist areas has not been achieved. 	
KLOE 3.1 (use of natural resources)	Applicable from 09/10 onwards
Score	N/A
VFM criterion met	N/A
Key findings and conclusions	
KLOE 3.2 (strategic asset management)	Applicable from 09/10 onwards
Score	N/A
VFM criterion met	N/A
Key findings and conclusions	
KLOE 3.3 (workforce planning)	
Score	1/2/3/4

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VFM criterion met	Yes
Key findings and conclusions	
<ul style="list-style-type: none"> • An overarching strategy to increase numbers of frontline police officers and reduce numbers of civilian staff has been implemented and is linked to other strategic plans. • The force anticipates retirements of police officers and bases its recruitment activities on this data, and integrates this with training and induction provision. • During 2008 changes made to the Force's learning and development unit resulted in the provision of modular training courses which address identified skills gaps in staff going through the assessment. The course is now embedded as a permanent refresher course. There are plans in place to increase the types of training provided through E-learning. Improvements in training provision have resulted in cost reductions and increased trainer contact with students. Plans are well advanced for future training with Plymouth University but this is not yet in place. • The force is making progress with implementing personal development reports, but as yet has not achieved a full implementation of the system for all staff members. Since June 2008 PDRs have been required for internal recruitment and selection processes, but cultural obstacles remain preventing effective implementation. • The force undertakes staff surveys on a quarterly basis and this provides good quality, up to date information on staff attitudes and response rates are good at over 50 per cent. Results show a breakdown of responses by rank, location, gender and ethnicity, providing managers with useful insights into staff attitudes. Trends show concerning responses from staff from minority ethnic groups who are significantly less satisfied with the Force as an employer, their BCU or department as a place to work and to feel they are kept informed by their manager. There are formal consultation processes with trade unions taking place weekly, senior management briefings supplemented with one-to-one meetings with any staff affected by new policies or changes. • The force currently has around 300 equal pay claims outstanding, but has completed an equal pay liability assessment. • Equality impact assessments completed in 2004 are expected to be reviewed annually. • Recruitment processes are manual with no opportunity for on-line applications. 	

Appendix 5 – Use of resources key findings and conclusions

- While the Force has achieved an overall workforce that reflects its community, progression remains an issue with no black or ethnic minority police officers above the rank of inspector, and a balance of males and females in a number of specialist areas has not been achieved. The force is making progress with equality and diversity, but there remains more to do. The force has a 'positive action' officer to help increase the recruitment and retention of black and ethnic minority staff, however demographic and cultural factors are seen as an obstacle - particularly for new black staff living in predominantly white rural communities.
- The force has not yet implemented a fully integrated electronic system for recording HR and duty management information, and this, together with cultural obstacles in some BCUs results in the Force not having consistently accurate information about its employees or their deployments.
- The People Gold group, comprising senior managers, now oversees all recruitment and promotion activity, providing clear direction for the delivery of the Force's people related objectives.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

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