

Audit Completion Report

Chief Constable for Northumbria – year ended 31 March 2015

September 2015



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Mr S Ashman
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Northumbria Police Force Headquarters
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22 September 2015

Dear Mr Ashman

Audit Completion Report – Year ended 31 March 2015

We are pleased to present our Audit Completion Report for the year ended 31 March 2015. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 23 February 2015. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and areas of management judgement remain appropriate.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07979 164467 or gareth.davies@mazars.co.uk

Yours sincerely

Gareth Davies
Partner
Mazars LLP

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Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and we take no responsibility to any member or officer in their individual capacity or to any third party.

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01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2015 to the Chief Constable for Northumbria and forms the basis for discussion at the Joint Independent Audit Committee meeting on 14 September 2015.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Chief Constable for Northumbria; and
- receive feedback from you on the performance of the engagement team.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 3 of this report includes our conclusions on the significant risks and areas of management judgement that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 4 and a summary of misstatements discovered as part of the audit in section 5.

Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2015.

At the time of preparing this report, the following matters remain outstanding:

| Area outstanding | Work to be completed |
|--|--|
| Review of contingent liabilities (note 13) | Completion of procedures in respect of the disclosed contingent asset and liability arising from the national pensions commutation factor review and are our assessment of whether this should be provided for in the primary statements. See further detail included on page 6, 'significant matters discussed with management'. |
| Pension Fund auditor assurance | We need to consider the findings of the Pension Fund auditor when this assurance is received. |
| Closure procedures | Our standard closure procedures, including review of the revised financial statements and consideration of post balance sheet events. |

We will provide a written update on these matters before concluding the audit.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate:

- issuing an unqualified opinion, without modification, on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by the deadline of 2 October 2015.

Our proposed audit report is set out as Appendix B.

02 Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 6 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant matters discussed with management.

Significant risks and key areas of management judgement

Management override of controls

Description of the risk

In all entities, management at various levels is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work on:

- accounting estimates impacting amounts included in the financial statements;
- identified significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our work:

- confirmed that accounting estimates were based on appropriate assumptions;
- did not identify any significant transactions outside the normal course of business; and
- did not identify any unexpected or unusual adjustments.

Revenue recognition

Description of the risk

There is a risk of fraud in financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits.

How we addressed this risk

We performed cut off testing to assess whether transactions were included in the appropriate year. We also carried out analytical review procedures.

Audit conclusion

Our sample testing confirmed that receipts were accounted for in the correct financial year.

Year-end annual leave accrual

Description of the area of management judgement

Accounting standards require that an estimate be made of the value of accumulated absences awarded but not taken as at 31 March 2015.

How we addressed this area of management judgement

We examined the method used for producing this estimate and compared it against that used in previous years. We reviewed the detail of the calculation for accuracy.

Audit conclusion

The estimate is based on a sample of staff, and there were no issues arising.

Pension costs and pensions liability

Description of the area of management judgement

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this area of management judgement

We discussed with key contacts any significant changes to the pensions estimates prior to the preparation of the final accounts.

In addition to our standard programme of work in this area, we:

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuaries; and
- considered the reasonableness of the actuaries' outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the Audit Commission (now Public Sector Audit Appointments Ltd).

Audit conclusion

Our audit has provided the assurance we sought and has not highlighted any further issues in this area to report, subject to:

- review of the response from the local government pension scheme auditor; and
- completion of the outstanding work in respect of our review of the national commutation factor issue highlighted in both the significant risks section and under 'significant matters discussed with management' below.

Accounting policies and disclosures

We have reviewed the Chief Constable for Northumbria's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting.

Significant matters discussed with management

Other than our usual discussions as part of gathering our audit evidence, we have had discussions with management in respect of one significant matter, as set out below.

Significant matters discussed with management – Police Pension Scheme - commutation factor review

In May 2015, the Pensions Ombudsmen determined that Government Actuary's Department (GAD) had used incorrect commutation factors when calculating pension payments in a number of cases. This issue relates to police officers who retired between 1 December 2001 and 30 November 2006

As a result of this, it is likely that the costs associated with those pensioners affected will increase. The Home Office has advised that they will fund the additional costs.

This issue is currently disclosed as an unquantified contingent liability in Note 13 of the Chief Constable's financial statements (Note 7 to the draft Police and Crime Commissioner Group financial statements).

Our assessment is that this liability should be recognised in the financial statements, along with recognition of any funding. We have liaised with management who are calculating the estimate to incorporate in the revised financial statements, along other entries and disclosures.

Significant difficulties during the audit

During the course of the audit we did not encounter any difficulties and we have had the full co-operation of management and officers.

03 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have not identified any significant deficiencies or any other internal control recommendations as a result of our work this year.

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency

Medical retirement form (RETMED9) did not include a section to record that Professional Standards has no outstanding complaints against the officer.

Potential effects

Outstanding complaints may not be identified before an officer is allowed to retire on medical grounds.

Remedial action

Amend form to record Professional Standards check.

Management response

Form has been updated to ensure the review to identify any complaints made has been carried out.

04 Summary of misstatements

We set out below the misstatements identified during the course of the audit, above the trivial level, for adjustment.

Material adjusted misstatements 2014/15 – commutation factor review

This issue relates to police officers who retired between 1 December 2001 and 30 November 2006

At the time of writing this report, work has not been completed in respect of the expected adjustment to the financial statements for the national commutation factor issue, as referred to earlier. This issue is currently disclosed as an unquantified contingent liability in Note 13 of the Chief Constable's financial statements (Note 7 to the draft Police and Crime Commissioner Group financial statements). Following receipt of additional information and assessment, this liability is now to be recognised, with corresponding income in respect of funding from the Home Office.

The Chief Constable has indicated to us the liability is estimated at approximately £9.4 million and work is on-going in this area, including determining any impact on pension disclosures.

We will provide an update to the Joint Independent Audit Committee via a follow-up letter, setting out the adjustments expected when further work has been done.

Disclosure amendments

Our audit identified the following disclosure amendments in relation to the following which management has agreed to amend:

- Note 15 (Defined Benefit Plan: Tyne and Wear Pension Fund) – The expected future contributions figure was recorded in the draft accounts as £6.38m. The correct figure is £7.38m;
- Additional disclosure added to the Police Pension Fund statement;
- Additional disclosure required in the Annual Governance Statement; and
- some more minor presentational matters.

05 Value for money

We are required to conclude whether, for 2014/15, the Chief Constable for Northumbria put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do this by considering the Chief Constable for Northumbria's arrangements against two criteria specified by the Audit Commission: financial resilience; and economy, efficiency and effectiveness.

We are also required to identify any significant risks in relation to Value for Money and then carry out specific work to address those risks.

In the Audit Strategy Memorandum we identified a significant risk relevant to the value for money conclusion.

Significant Value for Money risks

Arrangements fail to produce value for money

Description of the risk

The financial resilience of the Chief Constable for Northumbria is under considerable pressure due to continued reduction in grant funding.

The risk is that the action taken by the Chief Constable for Northumbria is insufficient to deliver quality services in line with the policing plan and within available resources.

How we addressed this risk

Our work included reviewing;

- the matters raised in the Annual Governance Statement for 2013/14;
- financial management, systems and other governance arrangements including changes made as a result of reviewing existing service agreements;
- the robustness of budget setting and monitoring;
- service reconfiguration and the accompanying rationalisation of your estate;
- arrangements for collaboration with other police forces;
- workforce changes (both police and non-uniform) and their financial impacts; and
- arrangements for reviewing the sources and basis of calculation of income.

We detail below our findings in relation to the two criteria specified by the Audit Commission. Summary findings in relation to the VFM significant risk that we identified can be seen in Table 1 on page 11.

Financial Resilience

The Chief Constable for Northumbria (the Chief Constable) clearly understands the financial challenges and risks and is taking action to resolve the budget gap identified. The Chief Constable's Chief Finance Officer (CFO) is a member of the leadership team and ensures the financial viability of all decisions taken.

The Chief Constable has delivered significant efficiencies in recent years, but recognises that further funding cuts lie ahead, and is planning accordingly.

The medium-term financial strategy (MTFS) is regularly updated (last updated February 2015 covering the period 2015/16 to 2017/18), and is matched to the priorities in the Police and Crime Plan.

There is a balanced budget for 2015/16 and all required savings plans are in place. The budget report sets out the factors and assumptions impacting on the budget, including service pressures.

Financial risk management arrangements are in place and are regularly reported to the Joint Independent Audit Committee (JIAC).

Economy, efficiency and effectiveness

In November 2014, Her Majesty's Inspectorate of Constabulary (HMIC) published the first assessments of police forces which allow the public to see how well their local force is performing. Known as the PEEL (police effectiveness, efficiency and legitimacy) assessments, the HMIC report on Northumbria Police judged the force as follows:

- in terms of its effectiveness, in general, the force is good at reducing crime and preventing offending, it is good at investigating offending and is outstanding at tackling anti-social behaviour;
- the efficiency with which the force carried out its responsibilities is good; and
- the force is acting to achieve fairness and legitimacy in most of the practices that were examined this year.

The assessment also highlighted concerns about the force's approach to crime-recording and also the need to develop a better understanding of the changing demands for police services.

In addition, the HMIC's report 'Responding to Austerity' produced in July 2014, gave Northumbria Police a GOOD assessment in relation to how well the force provided value for money.

We intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

Table 1 – Significant Risk Summary Findings

| Area | Auditor challenge and findings | Conclusion |
|--|--|--|
| <p>Were the matters raised in the 2013/14 Annual Governance Statement (AGS) implemented?</p> | <p>The 2013/14 AGS identified 5 Areas for Improvement. These were -</p> <ul style="list-style-type: none"> • continue to review the current Financial and Contract Regulations to ensure they remain appropriate and fully reflective of the different governance regimes that are in place; • finalise the Joint Strategic Risk Register covering both the Chief Constable and Commissioner and arrangements for its reporting to both senior officers and the Joint Independent Audit Committee; • identify the training and development requirements of members of the Joint Independent Audit Committee and arrange an appropriate programme to be delivered; • the Chief Constable should review the requirement for a joint Code of Local Governance in line with CIPFA best practice guidance; and • the Chief Constable and Commissioner’s Joint Governance Monitoring Group should meet on a more regular basis during 2014/15. <p>Findings</p> <p>As part of our work on the 2014/15 AGS we identified that the 2013/14 improvement areas had been addressed.</p> | <p>All of the improvement areas identified on the 2013/14 AGS have now been addressed.</p> |
| <p>Review of financial management systems and other governance arrangements.</p> | <p>We carried out a review of the financial management and governance systems in place to ensure that they were fit for purpose.</p> <p>Findings</p> <p>A new Governance Framework which was introduced in September 2014</p> <p>Some key features of this framework are:</p> <ul style="list-style-type: none"> • monthly budget monitoring information is presented to budget holders; • all projected material variances are identified, investigated and action plans are agreed with budget holders to address any areas of projected overspending; • quarterly monitoring reports are presented to the Chief Constable and Commissioner, which show income, and expenditure variances for each service area including delivery of budget savings; and • savings are monitored and reported separately against target. <p>This helped deliver a 2014/15 budget underspend of £972k.</p> <p>There is a balanced budget for 2015/16 and all required savings plans are in place. The budget report sets out the factors and assumptions impacting on the budget, including service pressures. The budget was approved by the Chief Constable and Commissioner.</p> | <p>The Chief Constable has relevant financial management and governance arrangements in place.</p> |

| | | |
|---|--|--|
| | <p>Budget monitoring reports are presented the Commissioner's business meeting and to the Joint Business Meeting quarterly.</p> <p>In addition, the risk that internal controls may not be sufficient is reduced by the Chief Constables' system of internal control. Some key features include:</p> <ul style="list-style-type: none"> • a clear system of delegation; • setting targets to measure financial and other performance; • the adoption of CIPFA capital expenditure guidelines, including the requirements of the Prudential Code; • compliance with established policies, procedures, laws and regulations; • application of the principles of the CIPFA/SOLACE Guidelines on Corporate Governance through a local Code of Governance and publication of an Annual Governance Statement; and • risk management framework. <p>The system of internal control is continuously reviewed by the Internal Audit service, which reports on its planning and performance to the Joint Internal Audit Committee on a quarterly basis.</p> | |
| <p>Review of the robustness of budget setting and monitoring.</p> | <p>We carried out a review of the Medium Term Financial Strategy (MTFS). This included a detailed challenge of the headline annual savings targets within the MTFS to ensure that they were fully supported.</p> <p>The majority of the savings were staffing savings (both Police and Non Uniform)</p> <p>Findings The latest MTFS was approved on 24 February 2015.</p> <p>For the 3 year period, the MTFS includes savings of £40.5m, of which £16.2m is in 2015/16. In addition to this, planned use of reserves over the same period is £22.6m, of which £9.2m is in 2015/16.</p> <p>In assessing the robustness of the MTFS, the CFO carried out a risk assessment and considered a number of relevant issues including:</p> <ul style="list-style-type: none"> • pay awards and price inflation being higher than anticipated; • failure to deliver planned savings; • further reductions in funding including unfavourable review of funding formula; and • not all risks have been identified. <p>Our work on the MTFS indicated that, based on the assumptions of budget reductions that were understood at the time, a sustainable financial position can be achieved over the period 2015/16 to 2017/18 whilst maintaining the General Reserve at an estimated £8.0m which equates to 3.1% of the revenue budget. This is greater than the minimum required in the Reserve Strategy to maintain balance at a minimum of 2% of budget.</p> | <p>The Chief Constable has robust budget setting and monitoring arrangements in place.</p> |

As outlined previously, the Chief Constable has arrangements in place to monitor budgets regularly.

A number of budget saving initiatives are being considered to meet the on-going financial challenges faced by the Chief Constable. Examples of these are:

- rationalisation of Estates;
- operating 3 Area Commands;
- reduction in police officers through natural wastage, with a programme of recruitment to protect the frontline;
- reduction in police staff through natural wastage and targeted Voluntary Redundancy Scheme (VRS);
- ICT transformation;
- detailed review of all non pay costs throughout the force; and
- identifying opportunities for collaboration and / or strategic partnerships.

The risk that the required savings will not be achieved is reduced by the existence of the revenue monitoring framework. The key responsibilities are outlined in the Governance Framework which was introduced in September 2014.

Some of the key features of this framework are:

- monthly monitoring information is presented to budget holders;
- all projected material variances are identified, investigated and action plans are agreed with budget holders to address any areas of projected overspending;
- quarterly monitoring reports are presented to the Chief Constable and Commissioner which show income and expenditure variances for each service area including the delivery of budget savings; and
- budget savings are monitored and reported separately against target.

The systems of budget monitoring have been reviewed by Internal Audit during 2014/15 and were found to be effective.

| | | |
|---|---|--|
| <p>Review of progress in relation to service reconfiguration and the accompanying rationalisation of your estate.</p> | <p>We reviewed the progress made in this area. This work included:</p> <ul style="list-style-type: none"> • reviewing the Estates Strategy; • challenging that the aim of sharing locations with other blue light services was happening; and • reviewing the arrangements for the achievement of the capital receipts included in the 2014/15 budget. <p>Findings</p> <p>The reconfiguration of the force from 6 area commands to 3 area commands was completed in April 2015. The Chief Constable aims to make further savings by re-locating other neighbourhood policing teams into the communities that they serve. Examples of this being carried out are</p> <ul style="list-style-type: none"> • relocation of officers from Morpeth station into the Sanderson Shopping Arcade; and • relocation of officers from Forest Hall station into the White Swan Centre at Killingworth. <p>In addition, the Chief Constable considers the co-location of Police and Fire into shared accommodation wherever possible. An example of this is the move into Birtley Fire Station.</p> <p>Anticipated capital receipts are reviewed and reports on disposals and other property related issues are reported to the Commissioner. The estates revenue savings and costs are monitored monthly.</p> <p>The Estates Strategy includes a detailed Disposal Schedule which is further analysed into a detailed capital receipts profile. The latest capital receipts profile 2015/16 to 2018/19 identifies future capital receipts of £29.158m for the period, of which £10.392m is identified in 2015/16.</p> | <p>The Chief Constable has made good progress in reviewing and reconfiguring service provision by progressing with the movement of neighbourhood policing teams and co-locating with other services.</p> <p>An Estates Strategy is in place which includes details on surplus assets along with annual costings of expected capital receipts</p> |
| <p>Review the arrangements for collaboration with other police forces.</p> | <p>We carried out a review of the collaboration arrangements currently in place along with future arrangements for collaboration and partnership working.</p> <p>Findings</p> <p>The force introduced a Collaboration Strategy in September 2014. The Strategy recognised the need to work in new and innovative ways in order to keep pace with public expectations, the challenging financial environment, and complex operational challenges.</p> <p>Current areas of collaboration or consideration of collaboration with other police forces and public organisations include:</p> <ul style="list-style-type: none"> • co-locating with partners wherever possible – so far co-located with Northumberland Fire and Rescue Service, Newcastle City Council, North Tyneside Council, and Northumberland County Council, with plans progressing to co-locate with Tyne and Wear Fire and Rescue Service, and two local community trusts; • a collaborative working agreement between the legal teams of Northumbria Police and North Tyneside | <p>The force has strengthened its collaboration arrangements during the year.</p> |

| | <p>Council in order to provide advice, support and resilience to one another;</p> <ul style="list-style-type: none"> • an arrangement in place with Northumberland County Council with regard to the provision of ICT support and maintenance; and • working with Durham Constabulary and Cleveland Police - potential for collaborating in the areas of vetting and firearms licensing. This work was not progressed as there was no evidence of tangible benefit as a result of working jointly. <p>The force has also introduced a Partnership Toolkit, the purpose of which is to highlight key factors that should be considered when establishing future partnerships. In addition, a Strategic Partnership Team has been introduced to act as the focal point for further advice and support at any stage of considering, establishing, or working in partnership.</p> <p>The force has a Collaboration and Partnership Delivery Plan which outlines all of the arrangements in which it is currently involved.</p> | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|-----------------------|----------------------|---------|-------|-------------------------------------|---------------------|----------------------|----------------------|----------------------|---------------------------------------|----------------------|---------------------|---------------------|---------------------|-------|-----------------------|--------------------|-----------------------|----------------------|--|
| <p>Review the workforce changes (both police and non-uniform) required and their financial impacts.</p> | <p>Our work challenged the robustness of the annual savings that were estimated to be delivered by reductions in the level of workforce. In order to achieve challenging annual MTFs savings, the Chief Constable carried out a detailed review of staffing levels (both police and non-uniform). The MTFs included annual savings of:</p> <table border="1" data-bbox="338 746 1487 999"> <thead> <tr> <th>MTFS Savings</th> <th>2015/16</th> <th>2016/17</th> <th>2017/18</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Workforce Savings – Police Officers</td> <td>£9.50m (64.0fte)</td> <td>£7.20m (140.0fte)</td> <td>£9.20m (140.0fte)</td> <td>£25.9m (344.0fte)</td> </tr> <tr> <td>Workforce Savings – Non-uniform staff</td> <td>£2.50m (106.0fte)</td> <td>£5.80m (66.0fte)</td> <td>£0.10m (16.0fte)</td> <td>£8.4m (188.0fte)</td> </tr> <tr> <td>Total</td> <td>£12.00m (170.0fte)</td> <td>£13.0m (206fte)</td> <td>£9.30m (£156.0fte)</td> <td>£34.3m (532.0fte)</td> </tr> </tbody> </table> <p>As part of our work we carried out a detailed review of annual savings and challenged officers on the calculations within them.</p> | MTFS Savings | 2015/16 | 2016/17 | 2017/18 | Total | Workforce Savings – Police Officers | £9.50m (64.0fte) | £7.20m (140.0fte) | £9.20m (140.0fte) | £25.9m (344.0fte) | Workforce Savings – Non-uniform staff | £2.50m (106.0fte) | £5.80m (66.0fte) | £0.10m (16.0fte) | £8.4m (188.0fte) | Total | £12.00m (170.0fte) | £13.0m (206fte) | £9.30m (£156.0fte) | £34.3m (532.0fte) | <p>A detailed review of staffing levels has been carried out, supported by robust financial plans.</p> |
| MTFS Savings | 2015/16 | 2016/17 | 2017/18 | Total | | | | | | | | | | | | | | | | | | |
| Workforce Savings – Police Officers | £9.50m (64.0fte) | £7.20m (140.0fte) | £9.20m (140.0fte) | £25.9m (344.0fte) | | | | | | | | | | | | | | | | | | |
| Workforce Savings – Non-uniform staff | £2.50m (106.0fte) | £5.80m (66.0fte) | £0.10m (16.0fte) | £8.4m (188.0fte) | | | | | | | | | | | | | | | | | | |
| Total | £12.00m (170.0fte) | £13.0m (206fte) | £9.30m (£156.0fte) | £34.3m (532.0fte) | | | | | | | | | | | | | | | | | | |
| <p>Review the arrangements for reviewing the sources and basis of calculation of income.</p> | <p>The JIAC, at the meeting on 23 February 2015, asked that we review the sources and basis of calculation of the force's main income areas. To do this we:</p> <ul style="list-style-type: none"> • looked at how the current schedule of charges were calculated; and • look at other areas of activity for which that the force could potentially charge. <p>The Northumbria Police Finance Team use the Association of Chief Police Officers (ACPO) schedule of charges to review all controllable income sources including the mutual aid and event support for the 2015/16 budget.</p> | <p>There are arrangements in place to use the ACPO charging schedule for current income sources.</p> <p>Scope exists for the force to consider the introduction of charges in a small number of additional areas.</p> | | | | | | | | | | | | | | | | | | | | |

As part of our work, we looked to identify areas of police activity that other forces charge for that Northumbria Police do not. Areas identified are:

- speed survey charges;
- identity checking service; and
- short notice, unsociable hours and national holiday working charges for attendance at Civil Courts and Tribunals.

The force should look to explore the above areas to ensure that it maximises the income available in these areas.

In addition, we have used the 2014 HMIC VFM 'Earned Income' Profiles to investigate current income levels compared to other forces for a number of areas.

| Area | Northumbria Police % of total income | Average (Excl. Metropolitan Police) - % of total income |
|--------------------------------|--------------------------------------|---|
| Partnership Income | 7.9 | 13.8 |
| Sales, Fees, Charges and Rents | 33.0 | 27.9 |
| Special Police Services | 13.3 | 11.7 |
| Reimbursed Income – Various | 43.1 | 44.3 |
| Interest | 2.7 | 2.3 |
| Total | 100.0 | 100.0 |

The above identifies that current income percentage rates are better or comparable with other forces with the exception of Partnership Income; however the introduction of the Collaboration Strategy shows that the force is committed to securing improvement in the amount of partnership income in this area.

Appendix A – Draft management representation letter

To be provided to us on headed note paper

September 2015

Dear Sir

Chief Constable for Northumbria - audit for year ended 31 March 2015

This representation letter is provided in connection with your audit of the statement of accounts for the Chief Constable for Northumbria (the Chief Constable) for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the organisation you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material affect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all relevant meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Chief Constable's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Chief Constable in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability has been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Chief Constable have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

I have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud; and
- all knowledge of fraud or suspected fraud affecting the Chief Constable involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Chief Constable's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances have been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. I have disclosed to you the identity of the Chief Constable's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below its carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the statement of accounts as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully

Chief Finance Officer

Appendix B – Draft audit report

Independent auditor's report to the Chief Constable for Northumbria

Opinion on the financial statements

We have audited the financial statements of the Chief Constable for Northumbria for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Police Pension Fund Net Assets Statement and the Police Pension Fund Account, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Chief Constable for Northumbria in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Northumbria as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Chief Constable for Northumbria 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 to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable for Northumbria has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable for Northumbria has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the arrangements for securing economy, efficiency and effectiveness are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission, as to whether the Police and Crime Commissioner for Northumbria has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable for Northumbria put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable for Northumbria had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that, in all significant respects, the Chief Constable for Northumbria put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

Gareth Davies
Partner
For and on behalf of Mazars LLP, Appointed Auditors
The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

xx September 2015

Appendix C – Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.