



THE POLICE AND CRIME COMMISSIONER
FOR NORTH YORKSHIRE AND CHIEF
CONSTABLE OF NORTH YORKSHIRE
POLICE

Medium Term Financial Planning

REVISED FINAL

Internal Audit Report: 3.15/16

31 April 2016

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Responses received	20 April 2016		
Final report issued	20 April 2016	Client sponsor	Michael Porter, Chief Finance Officer - PCC Jane Palmer, Chief Finance Officer - Force
Revised final report issued	29 April 2016 & 31 May 2016		
		Distribution	Michael Porter, Chief Finance Officer - PCC Jane Palmer, Chief Finance Officer - Force

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1 EXECUTIVE SUMMARY

1.1 Background

An audit of Medium Term Financial Planning was undertaken as part of the approved internal audit periodic plan for 2015/16.

The Police and Crime Commissioner (PCC) for North Yorkshire and Chief Constable of North Yorkshire Police have in place a joint Medium Term Financial Plan (MTFP), which was approved as part of the budget setting process in February 2016 and covers four years to 2019/20. The MTFP is continuously updated where forecast changes to income and expenditure become known, and re-presented to the Executive Board on a quarterly basis.

The Force's savings programme is led by the Affordability Group and is included within the MTFP. The MTFP is kept under review by the Affordability Group, which consists of the PCC's Chief Finance Officer, the Chief Constable's Chief Finance Officer, the Chief Constable, the Chief Executive Officer, the Head of HR, Head of O & D, Deputy Chief Constable, Assistant Chief Constable – Kennedy and Acting Chief Superintendent – Winward. The Affordability Group is made fully aware of any changes that are made to the income and expenditure as well as assumptions, via informal monthly reviews of the MTFP. Management indicated that while the impact of on-going changes to the MTFP were not actively monitored against the Force's savings plan, a formal review of progress against savings assumptions would be carried out by the Affordability Group from the start of the 2016/17 financial year.

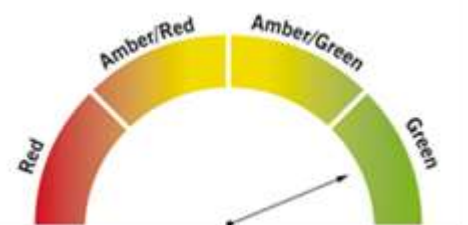
The assumptions detailed within the MTFP are discussed and agreed by the Affordability Group. While there are no formal minutes of the meetings, the PCC's Chief Finance Officer produces a report detailing the robustness of the assumptions, which is reported to Executive Board for review and challenge.

1.2 Conclusion

Our audit work confirmed that there are adequate controls in place around the Medium Term Financial Planning arrangements at the Police and Crime Commissioner for North Yorkshire and Chief Constable of North Yorkshire Police. We were able to confirm the design and operation of controls as appropriate for the delivery of a robust financial plan as well as fair and achievable budgets. The assumptions used were found to be appropriate and evidenced against formal documentation.

Internal Audit Opinion:

Taking account of the issues identified, the Police and Crime Commissioner for North Yorkshire and Chief Constable of North Yorkshire can take **substantial** assurance that the controls upon which the organisation relies to manage the identified risk are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Review of the MTFP confirmed that this contained a detailed planning and assumption section which provided information on the expected income and expenditure for the four year period covered by the MTFP. We confirmed that the affordability programme was also detailed within the MTFP, with links to the expenditure over the four year period. While we were unable to confirm the 2016/17 MTFP and budget approval by the Executive Board (the Plan was approved at the 25th February 2016 meeting). As the minutes were not available at the time of the audit we confirmed that the previous year's MTFP had been approved in accordance with the process described above.
- Review of the MTFP also included testing of the stated assumptions back to source documentation. We were able to confirm all income and expenditure assumptions, as well as the affordability programme, figures back to originating document including grants and precept statements, HR staffing plans and capital plans.
- Review of the budget setting process confirmed that this was carried out on an annual basis via meetings between the budget holders and Chief Financial Officer. While there are no minutes for the budget holder meetings we were able to gain assurance on the adequacy, fairness and achievability of the budget setting process through a questionnaire based communication with budget holders. Out of the nine budget holders contacted who had been in a budget holding position for more than a year we noted seven responses stating they had been actively involved in the budget setting. In the remaining two cases a response was not provided by the budget holder.
- We were able to confirm that monthly budget reviews were undertaken and that budget setting is carried out to timetable. While there is no formal timetable for budget setting we were able to gain assurance of the timeliness of the process through review of Affordability Group and budget review reports.
- Review of the MTFP confirmed that the Police and Crime Plan was included with assumptions for future investments to ensure delivery of the plan. The main area of investment within the Police and Crime Plan is around protecting vulnerable people with a £3m investment included within the financial plan over the next two years. The projects that the investments will be used on include the expansion of the Serious Crime Team, Integrated Management Team, Digital Forensics Unit as well as creating a Historical Child Abuse Investigation Team and enhancing the online fraud and cyber-crime capabilities.
- Discussions with management confirmed that the Force undertake a sensitivity analysis and scenario review of key assumptions within the MTFP during the drafting process as part of the Affordability Group meetings. We were able to confirm that the 'Robustness of Estimates and Adequacy of Reserves' report provides commentary on the assumptions made and the reasons to support these.
- The affordability plan is an integral part of the MTFP and as such has been built into the budget for the 2016/2017 financial year. The monthly budget reviews and quarterly reporting will as such also include a review of the progress against the affordability programme.
- The reporting and monitoring of the MTFP and budget was undertaken on a monthly basis via the Affordability Group with formal reporting to Executive Board on a quarterly basis. We have agreed the process to review of Executive Board minutes for July 2015, November 2015 and January 2016.

1.4 Additional information to support our conclusion

We have not raised any management actions as a result of our audit.

1.5 Additional feedback

We have also identified innovation or good practice at similar organisations that The Police and Crime Commissioner for North Yorkshire and Chief Constable of North Yorkshire Police may wish to consider:

Good practice for further consideration

We identified the following areas of good practice which further enhance the organisation's financial planning process:

- A formalised timetable is commonly used and monitored against for the development and approval of the annual budgets and Financial Plans. This timetable is also used as a schedule and action plan for various involved departments to work against to ensure that deadlines are met in a timely manner. The Force has a high level timetable in place based around statutory and governance deadlines which the finance team and the Affordability Group are aware of.
- Budgetary decision between management and budget holders are minuted with reasons for increases and reductions documented. We noted that budget discussions at the Force were recorded and detailed budget amendments made.

APPENDIX A: SCOPE

Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
The Police and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire Police have in place strategies and controls that provide assurance that a stable financial platform can deliver effective service delivery for the medium term.	The Commissioner and Chief Constable fail to manage finances effectively i.e. arrangements are not in place for strategic financial planning, receiving funding, financial management, accounting and auditing, monitoring value for money, setting the police precept, allocating funding and issuing crime and disorder reduction grants, planning for major police operations.	Strategic Risk Register

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

- The Police and Crime Commissioner for North Yorkshire and Chief Constable of North Yorkshire Police have developed an adequate Medium Term Financial Plan for an appropriate period that was reviewed and approved on a periodic basis.
- The Medium Term Financial Plan has been developed based on reasonable assumptions, including those relating to savings plans.
- We have confirmed that the Police and Crime Commissioner for North Yorkshire and Chief Constable of North Yorkshire Police complete an annual review of assumptions and that these assumptions are clearly identified and approved at an appropriate level.
- We have obtained confirmation that scenario planning/sensitivity analysis has been completed to ensure that the Medium Term Financial Plan is robust. We have reviewed the accuracy of the spreadsheets used in the process.
- We have reviewed the process for development and approval of the annual budget and confirm that this is in line with the Medium Term Financial Plan.
- We reviewed the reporting mechanisms in place to ensure that the Medium Term Financial Plan is monitored on a regular basis, including progress against any savings plans identified.

Limitations to the scope of the audit assignment:

- The scope of the work has been limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- Any testing has been completed on a sample basis.
- We have not provided an opinion on the content of the Medium Term Financial Plan.
- Our work and report have not provided any assurance on the eventual accuracy at the year end of the current projected outturn or any assurance on the validity and accuracy of any assumptions made in producing the projected outturn.
- We have not verified the accuracy of the general ledger as part of this review.
- Our work has not provided absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Jane Palmer, Chief Constable's Chief Finance Officer
- Michael Porter, PCC's Chief Finance Officer
- Simon Nott, Income Generation Manager

Documentation reviewed during the audit:

- Medium Term Financial Plan, February 2016
- Robustness of Assumptions and Adequacy of Financial Reserves, February 2016
- Priority Eight Reports, Various months
- Budget Review Report, January 2016
- The Police Grant Report, February 2016

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