

# Annual Audit Letter

Sussex Police Authority

Audit 2008/09

November 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.
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# Key messages

**This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

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## Audit Opinion

- 1 I gave an unqualified audit opinion on the Authority's financial statements on 24 September 2009. My audit findings are detailed in my Annual Governance Report, which I discussed with the Authority's Corporate Governance Committee on 24 September. In discussing my report, I drew one specific matter to the attention of the Corporate Governance Committee; the accounting treatment of the impairment of investments in Heritable Bank. However, I was satisfied that the way in which this had been presented in the financial statements did not materially affect my audit opinion.

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## Financial Statements

- 2 The Authority's financial statements were complete, of a good standard and were supported by high quality working papers.

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## Value for money and Use of Resources

- 3 I issued an unqualified value for money conclusion on 24 September 2009 stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 4 I completed a use of resources assessment at the Authority for 2008/09. The Authority performs well at level 3 across all areas of the assessment.

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**Table 1      Audit fees**

	Actual £	Proposed £	Variance £
Financial statements and annual governance statement	68,900	68,900	0
Value for money	23,000	23,000	0
Whole of Government accounts	2,300	2,300	0
<b>Total audit fees</b>	94,200	94,200	0
Non-audit work	0	0	0
<b>Total</b>	94,200	94,200	0

## Independence

- 5 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

# Financial statements and annual governance statement

**The Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.**

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## Significant issues arising from the audit

- 6 I discussed one significant issue with the Authority's Corporate Governance Committee on 24 September; the accounting treatment of the impairment of investments in Heritable Bank.
- 7 The Authority invested £6.8 million in Heritable Bank plc, a UK subsidiary of an Icelandic Bank which is in administration. In May 2009, the Chartered Institute of Public Finance and Accountancy (CIPFA) published guidance on the impairment of deposits with Icelandic Banks (LAAP Bulletin 82).
- 8 The Treasurer recognised an impairment adjustment of £1.36 million in the statement of accounts but departed from guidance issued in LAAP bulletin 82 and FRS 26 in that the Authority took the entirety of the anticipated cash loss in 2008/09, did not accrue income after the date of impairment and did not apply discounting to reflect future timing. The impact of the difference between the adopted treatment and the recommended treatment was to reduce the impairment by £568,000 in 2008/09 although over time the financial impact on the Authority would be the same. The recommended treatment would have required the Authority to accrue future (notional) income which would not have been achieved and then to write it off. I was satisfied that the reasons provided by the Treasurer and approved by the Corporate Governance Committee, that the adopted treatment was more transparent and was not material, were adequate.
- 9 The need to consider impairment to the Authority's investment in Heritable bank arose from the volatility affecting world financial markets and banking crisis which is having a very significant impact on public finances and the bodies that manage them. The Authority has already reviewed the impact of this on its treasury management arrangements. It has carried out a fundamental review of its approach, drawing on best practice guidance and outside experts. It is making changes which cut across a wide range of treasury management activity:
  - governance and the role of members,
  - investment strategy,
  - operational management; and
  - capacity.

- 10** The Authority Treasurer is continuing to pursue all monies outstanding and is attending a meeting of creditors on 6 November.
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### Material weaknesses in internal control

- 11** I did not identify any significant weaknesses in the Authority's internal control arrangements.
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### Accounting Practice and financial reporting

- 12** I considered the qualitative aspects of your financial reporting and reported in my Annual Governance Report on a small number of minor presentation and accounting issues where changes were made as a result of the audit. The issues were minor and the accounts were generally found to be prepared to a very high standard.
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### Whole of Government Accounts

- 13** The Authority is required to prepare a Whole of Government Accounts consolidation pack in accordance with instructions from HM Treasury. I gave my opinion on 30 September 2009 that the submitted consolidation pack was consistent with the Authority's statement of accounts.

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# Value for money and use of resources

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

I also assessed 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.

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## Use of resources judgements

- 14** 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.
- 15** 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.
- 16** The Authority's use of resources theme scores are shown in Table 2 below.

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**Table 2** Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	3

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- 17** Sussex Police demonstrates forward looking arrangements to manage its finances which comply with professional best practice and statutory requirements. The Authority and Force plan finances effectively to deliver strategic priorities and secure sound financial health. There is a sound understanding of costs and performance, and how to achieve efficiencies in its activities. Financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people.

- 18** There are strong and embedded arrangements for governance and internal control. Sussex Police Authority has promoted collaboration and partnership working. The Force has successfully entered into collaborative arrangements with others to commission and procure services. Examples include jointly funded posts for the Counter Terrorism Intelligence Unit and collaboration with other South East forces on integrating activities within protective services. Services have been effectively shaped by the involvement of local people, partners, staff and suppliers. In particular Sussex Police has been awarded the Disability Equality Scheme award in recognition of its approach to working with that group.
- 19** Its arrangements are underpinned by a well established performance management culture and robust data quality which includes an ongoing programme of surveys with victims of crime. This approach has led to increased victim satisfaction with being kept informed about the progress of investigations.
- 20** Sussex Police plans, organises and develops its workforce effectively to support the achievement of its strategic priorities. It demonstrates a range of strong outcomes from these activities. In particular, delivering increased numbers of police officers and staff within financial constraints, effectively managing organisational change through the Serving Sussex vision and building a force which is becoming more representative of the community it serves. The Authority and Force have strong arrangements in place across the majority of the focus areas assessed in workforce planning. Plans are in place to improve its performance in relation to diversity and equality, but the Force has not yet reached the target it set for BME representation.

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### VFM Conclusion

- 21** I assessed 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 specifies each year which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 22** I issued an unqualified conclusion on 24 September stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

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### Health Inequalities

- 23** We have reviewed the action being taken to address health inequalities throughout West Sussex in two phases; the first phase was completed in early 2008, and phase two was concluded in September 2009. The work involved West Sussex PCT, West Sussex County Council, Sussex Police, Sussex Partnership Trust, Western Sussex Hospitals Trust and all the district and borough councils in West Sussex.

## Value for money and use of resources

- 24** Phase one found that partners have a good understanding of the health of local people and good progress had been made to reduce health inequalities. Sussex Police Authority has been active in working with mental health partners to ensure the provision of mental health places of safety, leading to the establishment of new places at five local hospitals. Important building blocks had also been established, including the establishment of five Local Neighbourhood Improvement Areas (LNIAs) in the areas of most deprivation in the county. Partners were developing a clear strategic direction although there was no formal strategic framework in place. We agreed an action plan with the PCT to progress key issues arising from the review.
- 25** Phase two followed up on the progress made to deliver the action plan, and to answer the key question of 'how likely are partnership arrangements in West Sussex to reduce health inequalities across the local population?' We found that good progress has been made in most areas, particularly in relation to the development of partnership working and the establishment of countywide structures to support work to reduce health inequalities. A lot of work is taking place across the county to address health inequalities, but a countywide health inequalities action framework, a recommendation from phase one of this work, has not yet been developed. We are agreeing an action plan and will continue to work with partners during 2009/10 to follow up progress.

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# Closing remarks

- 26** I have discussed and agreed this letter with Authority and Force officers. I will present this letter at the Corporate Governance Committee on 19 November 2009 and will provide copies to all members.
- 27** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Authority during the year.

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**Table 3**

Report	Date issued
Audit Plan	March 2008
Opinion Audit Plan	June 2009
Annual Governance Report	September 2009

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- 28** The Authority and Force have taken a positive and constructive approach to our audit. I wish to thank the Authority and Force staff for their support and co-operation during the audit.

Helen Thompson  
 District Auditor  
 November 2009

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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