

Annual Audit Letter

Sussex Police Authority

Audit 2009/10

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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Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (page 4); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 9).**

Audit opinion and financial statements

1 The Authority coped well in dealing with several major changes in accounting practice in 2009/10 and prepared financial statements to a high standard. I was able to issue an unqualified opinion. No material changes were made to the accounts.

Value for money

1 I gave an unqualified value for money conclusion. The Authority has good arrangements in all the areas I assessed.

2 Following the government's announcement in May 2010, work on comprehensive area assessment, which included use of resources ceased with immediate effect. I have reported my summarised findings in this letter as they contribute to the value for money conclusion, which is a statutory requirement of the Code of Audit Practice.

Current and future challenges

3 All police authorities face an uncertain future after the publication in July 2010 of the government's consultation document on Policing in the 21st Century. Potentially, the abolition of authorities and their replacement by elected Police and Crime Commissioners. If enacted these proposals will require significant change and radical reform within a short timescale.

4 Alongside those proposals the Authority and Force are faced with achieving large budget cuts in response to the Chancellor's emergency budget and current comprehensive spending review (CSR). The Authority has a good history of meeting financial targets and has well developed processes that it can apply to the current situation.

5 The Authority is making progress in identifying and planning for the savings needed by 2015. However, the final value of the total savings required will not be known until the CSR has reported and the implications worked out. The Authority is planning a mid-case scenario of needing to

achieve a £52 million budget saving, its worst case scenario is that £76 million of savings are needed. Against the £52 million target, the Authority has found potential savings of £44 million. This is a mixture of firm, provisional and target amounts. These plans will need to become deliverable and the remaining savings identified when the outcome of the CSR is known.

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.

I gave an unqualified opinion on the Authority's 2009/10 financial statements on 23 September, well within the statutory target date.

Overall conclusion from the audit

6 The Authority coped well in dealing with several major changes to accounting practice in 2009/10 and prepared financial statements to a high standard.

7 I was able to issue an unqualified opinion on the financial statements. My audit identified a small number of errors, none of which were material. Officers amended the financial statements for these points and, demonstrating openness represented the financial statements to the Corporate Governance Committee. The changes were highlighted for members and included the re-classification of some grant income between income headings and small number of text disclosure and typographical errors.

8 The major changes in accounting practice which were all satisfactorily dealt with in 2009/10 included:

- the way in which the Authority's PFI scheme needed to be accounted for;
- the way council tax was accounted for between billing and precepting authorities; and
- new disclosures for officer remuneration.

Significant weaknesses in internal control

9 I did not identify any significant weaknesses in your internal control arrangements.

Value for money

I considered whether the Authority is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

2009/10 use of resources assessments

10 At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on comprehensive area assessment would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

11 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have used the results of work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

12 I report the significant findings from the work I have carried out to support the vfm conclusion.

VFM conclusion

13 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which key lines of enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

14 This is a summary of my findings.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources	Yes
Workforce (Assessed in 2008/09)	Yes

15 I issued an unqualified conclusion stating that the Authority had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

Managing finances

16 In my 2009 assessment I concluded that:

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.

17 A refresh in 2010 has confirmed that the Authority and Force arrangements continue to be strong, in particular predictive financial planning and linkage to the local policing plan.

18 The Authority and Force have a good understanding of costs and performance. Medium term financial planning led to over £12 million efficiency savings being secured in 2009/10 and the recognition of future funding pressures which are now materialising. The Force and Authority have revised their financial plans in light of the current economic climate and are modelling savings measures. This work is ongoing as the Force and Authority address the likely impact of these measures on the delivery of the policing plan.

19 The Authority has comprehensive financial monitoring, providing real time information. The Authority can demonstrate proactive reporting arrangements in place and it provides information for the public through a variety of media. It has been planning for the introduction of international financial reporting standards for some time and coped well with other major accounting changes introduced in 2009/10.

Governing the business

20 In my 2009 assessment I found that:

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.

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.

21 A refresh of these judgements in 2010 has confirmed that the Authority and Force continue to have strong governance and internal control arrangements.

22 The Authority and Force is continuing to develop its regional collaboration programme and this is expected to contribute towards future medium term financial plan savings. Further savings are anticipated from a current review of fleet and usage of Force vehicles.

23 Sussex Police has a well-established performance culture that targets resources and drives improvement. In June 2009 the Force introduced a new performance management framework which focussed attention in three key areas: accountability, performance and business analysis, inspection and compliance. Comparing the Force performance between March 2009 and January 2010 total crime has reduced by 5 per cent, burglary dwelling by 3.4 per cent, and vehicle crime by 12.4 per cent. However, Sussex Police is performing less well in relation to meeting the single confidence target and this was the focus of a recent Inspection of the Police Authority by HMIC and the Audit Commission.

Managing resources

24 In 2009 I assessed the authority as performing well in relation to its workforce planning:

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.

25 The 2010 assessment was to review the Authority's use of natural resources and I concluded that the Authority is performing well in this area.

26 The Authority and Force have incorporated natural resource management into its overall management framework since 2003 when it adopted its first climate change and environmental strategy. This was updated in 2009 to broaden its remit to include climate change and carbon footprint issues and bring greater local accountability for environmental issues.

27 The Force has set targets and continues to make good progress in reducing:

- paper and water consumption; and
- CO₂ emissions from gas, oil, electricity and buildings.

28 Progress is reported annually through a traffic light assessment of key actions and detailed performance tables.

29 Fleet CO2 emissions per mile have reduced by 10 per cent from 2003 and miles per gallon achieved have increased by 21 per cent. Further improvements are anticipated from the current fleet review.

30 The Force's approach to waste and recycling is making a significant difference. In 2008 the Force introduced a new Force wide waste contract and as a result recycling increased to 57 per cent and waste generated per person reduced by over 59 per cent.

31 All contracts meet Government environmental standards ensuring suppliers meet environment legislation and standards. All new buildings are provided to very good environmental standards. The Authority and Force work in partnership with other organisations to make the best use of available buildings. For example:

- the West Downs divisional headquarters is shared with West Sussex County Council;
- Seaford police station is shared with the town council, the Citizens Advice Bureau and tourist agency;
- the community police office in Southwater is shared with the district council; and
- the Wadhurst police office is in the fire station.

32 Bio-diversity is promoted at all sites. Wild areas have been set aside to encourage the growth of rare plant species, and encourage nesting and breeding of endangered native species. The Force training ground in Ashdown Forest, has been given particular attention, heath land has been reinstated and Exmoor ponies are introduced in the summer to graze.

Approach to local value for money work from 2010/11

33 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

34 My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

35 I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Authority in my annual report to those charged with governance and in my annual audit letter.

Current and future challenges

Current economic climate

36 The Authority agreed the medium term financial strategy for the period 2011-15 in February 2010. It has since received regular updates on financial planning assumptions during the year. The most recent update to the Resources Scrutiny Committee in October 2010 highlights the scale of the challenges faced by the Authority in dealing with anticipated funding reductions.

37 The report addresses:

- latest medium term financial strategy for revenue and capital;
- the latest planning assumptions;
- progress at achieving savings targets for 2011-15;
- the approach to budget planning in light of the current challenges; and
- an update on reserves.

38 The Authority is planning to meet the challenges based on a mid-case scenario of a £52 million funding shortfall by 2014/15. The Authority's worst case scenario is a shortfall of £76 million by 2014/15. The Authority has current plans which identify savings being achieved in 2011/12 and 2012/13, but these do not yield enough to meet the mid-case target of £52 million target by 2014/15. The gap of £8 million will need to be addressed as more information develops from the Government's comprehensive spending review (CSR). The Authority is due to receive a further report from officers in December on the outcome of the CSR.

39 The Authority's saving plans are reflected in the Force's Serving Sussex 2015 programme. This is a strategic plan to determine the direction of the Force in 2015 and beyond within available resources. The savings identified at the moment represent a mixture of firm, provisional and target amounts. Arrangements have been put in place to ensure these are delivered and are linked to the four key themes of the plan:

- spending wisely;
- local delivery;
- service delivery in a digital age; and
- support functions.

40 The Authority maintains a level of specific and general reserves for unforeseen events. The current level of reserves remains healthy. The Authority has a £9.9 million general balance and total useable reserves are forecast to be £41 million at 31 March 2011. The Authority is planning to review all reserves to identify current commitments and requirements including the cost of change and investment needed to deliver the savings programme.

Future developments

41 The Authority is planning for future change and is responding well to the challenges presented by the current financial climate as they emerge.

42 The Government announced proposals for radical reform of policing in July 2010 centred on the abolition of police authorities and their replacement by elected Police and Crime Commissioners. Key features of the consultation proposals are:

- first election of police and crime commissioners to hold police forces to account and strengthen the bond between the police and the public in May 2012;
- a powerful new National Crime Agency to lead the fight against organised crime and strengthen our border security;
- greater collaboration between police forces to increase public protection and drive savings;
- phasing out the National Policing Improvement Agency (NPIA);
- cutting bureaucracy, removing restrictive health and safety procedures and freeing up officers' time; and
- a clear role for everyone, including members of the public, in cutting crime through beat meetings, neighbourhood watch schemes and voluntary groups.

43 In addition to these structural uncertainties, the Authority will be subject to a substantial change in its financial reporting regime in 2010/11. From 2010/11 the statement of accounts of public sector organisations will be prepared under an international financial reporting standards (IFRS) based Code of Practice on local authority accounting. This is part of a wider public-sector move to international standards. The Corporate Governance Committee has been tracking progress of actions necessary to implement this change. At this stage I do not have concerns that the Authority will not achieve this deadline.

44 I will continue to keep abreast of these developments and how the Authority is responding to the financial climate during my audit in 2010/11.

Closing remarks

45 I have discussed and agreed this letter with the Chief Executive and Authority Treasurer. I will present this letter at the Corporate Governance Committee on 11 November 2010 and will provide copies to all members.

46 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Authority during the year.

Report	Date issued
Audit Plan Fee Letter	25 February 2009
Opinion Audit Plan	24 June 2010
Annual Governance Report	23 September 2010

47 The Authority has taken a positive and helpful 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 2010

Appendix 1 – Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	70,650	70,650	0
Whole of Government accounts	2,350	2,350	0
Value for money	23,585	23,585	0
Total audit fees	96,585	96,585	0
Non-audit work	-	-	0
Total	96,585	96,585	0

Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Authority on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

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