

Annual Audit Letter

Sussex Police Authority

Audit 2010/11



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Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

Key audit risk	Our findings
Unqualified audit opinion	Yes
Proper arrangements to secure value for money	Yes

Audit opinion and financial statements

I gave an unqualified audit opinion on your financial statements on 22 September 2011. The first draft of the accounts contained consistency errors because of the new format. However, these were addressed in the next version. No issues were found with the underlying information within the accounts.

Value for money

I gave an unqualified value for money conclusion on 22 September, stating you have proper arrangements in place for securing economy, efficiency and effectiveness.

- You have proper arrangements in place for securing financial resilience and good governance procedures. Financial planning is effective and forward-looking. There are sound arrangements for financial control. You plan to achieve the savings needed to respond to future budget cuts, but you will need to continue to ensure that target savings are fully delivered.
- You have proper arrangements in place for challenging how you achieve economy, efficiency and effectiveness. You take a strategic approach to setting priorities and improving the use of resources. The Serving Sussex 2015 programme is delivering a programme of savings through service redesign and collaboration while maintaining services to the public.

Current and future challenges

You have coped well in meeting the immediate pressures of the downturn in the economy. Demands on the public sector to manage within ever more constrained resources look set to continue. You are positioning the Authority well but you will need to continue to focus on delivering the savings you have identified by 2014/15.

Police Reform and Social Responsibility Act 2011

You have been closely watching the passage of this Act through parliament and have prepared briefings for members on the implications. The Act will result in the abolition of the Authority and the transfer of responsibility for holding the Chief Constable to account to a directly elected Police and Crime Commissioner in November 2012.

You are approaching this change with the intention of transferring responsibility in a well managed and orderly way, ensuring the highest standards of police accountability on transition.

Economic downturn and pressure on the public sector

The economic forecast for the UK and western developed economies remains difficult. Since taking office in May 2010 the Coalition Government has focused its attention on deficit reduction measures and the public sector has faced an unprecedented squeeze on its funding.

For Sussex Police the impact is significant, you need to make savings of around £50 million by 2014/15. To do this you estimate that you will need to reduce the workforce by 500 police officers and 550 police staff by 2015, as well as make other savings, while preserving services to the public. You are planning to achieve this through the Serving Sussex programme, which aims to achieve the right model of policing in Sussex within a sustainable cost.

Several major work streams are associated with this programme and the risk of delivering the required savings is regularly reviewed. To achieve the workforce decrease required, you have recognised that it will be necessary to use compulsory retirement for police officers and you have delegated these powers to the Chief Constable.

Currently £16 million of the required savings are potentially at risk of not being achieved. This has improved from the position reported in July. With various work streams in progress you have a high degree of confidence that by February 2012 you will be able to forecast a balanced budget for 2015.

Joint arrangements/shared services

Shared services and joint arrangements are an important way in which you are seeking to make savings and increase the effectiveness of operations.

- From 1 April 2010 you entered a collaboration agreement for protective services collaboration, with Surrey, Thames Valley and Hampshire Police Authorities.
- From 1 October 2010 you entered a shared service agreement for air support with Surrey and Hampshire Police Authorities.
- From 1 September 2011 Sussex Police entered a collaboration agreement with Surrey Police on major crime, firearms and scientific support.

You are also considering recent proposals to enter into a national air support agreement.

Treasury management

The UK recovery remains weak and there is much volatility in financial markets as Europe struggles to deal with the sovereign debt crisis affecting Greece and other countries in the Euro zone. The current stresses are impacting on the stability of the European banking system, with a major European bank requiring government support.

Following exposure to the 2008 banking crisis you reviewed and strengthened your arrangements for treasury management; introducing a default position of investing in the Debt Management Office or UK Treasury Bills in periods of significant market stress. You have adopted this position in the current environment.

Financial statements and annual governance statement

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

Overall conclusion from the audit

I gave an unqualified opinion on your financial statements on 22 September 2011. You prepared financial statements to a high standard and coped well with the extra requirements of International Financial Reporting Standards. I reported on the detailed findings of my audit to the Corporate Governance Committee on 22 September 2011. There were no recommendations arising from my report.

Significant weaknesses in internal control

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.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is you have adequate arrangements to secure, economy, efficiency and effectiveness in your use of resources.

My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>Sussex Police Authority has strong financial governance. Financial planning is robust and forward looking. You are well-placed to maintain a secure and stable financial position.</p> <p>You have an established financial planning process in place, which is built on robust financial systems. The financial position is monitored closely, variances are investigated and action is taken where necessary. You are continuing to deliver oversight and scrutiny of the force and ensure that there is a firm and stable financial position when your responsibilities are transferred to an elected Police and Crime Commissioner.</p>

You are preparing for the future through your Serving Sussex 2015 programme to develop the right model for policing Sussex within a significantly reduced budget. Around £50 million budget savings are required by 2014/15. As reported to the Authority in July, a programme of savings has been identified to achieve £48 million leaving a gap of £2 million in 2014/15. Action will continue to be required to implement the plans and firm up those parts of the plan which are still in development. Currently, you recognise £16 million of the targeted savings as being 'red risks' ie requiring further action to be achieved.

The budget out-turn for 2010/11 was a surplus of £5.9 million. Given the challenging economic environment and the impact on fluctuations on your income and service pressures this is a good result. You have reviewed the level of reserves and you are maintaining the general reserve at the target level of 4 per cent of the net budget, £10 million in 2010/11.

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The Authority takes a strategic approach to prioritising resources, improving efficiency and productivity. You challenge how services are provided and secure new ways of doing things.

You have a history of ensuring value for money through your strategic approach, with past activity including PFI custody suites and review of shift patterns. Recently you have entered into shared service and collaboration agreements with neighbouring forces to deliver some specialist functions. You have considered the necessary governance and risk management arrangements to ensure that collaboration activity is carried out in line with your overall aims and objectives.

As part of the Serving Sussex 2015 programme you plan to expand this approach further and other new ways of working to maintain customer service at reduced cost. Support service cost savings of at least 25 per cent on the 2010/11 budget are being targeted through radical redesign and more efficient use of IT to streamline processes, for example by introducing employee self service and reducing back office staffing.

Closing remarks

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 10 November 2011 and will provide copies to all Authority members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued during the year.

Report	Date issued
Audit plan 2010/11 audit	March 2011
Annual governance report	September 2011
Annual audit letter	November 2011

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

Helen Thompson
District Auditor
November 2011

Appendix 1 - Fees

	Actual	Proposed	Variance
Scale fee	99,999	99,999	0
Non-audit work	0	0	0
Total	99,999	99,999	0

In addition the Audit Commission issued rebates of £6,141 in April 2010 in respect of the cost of first year audit work on IFRS and a further rebate of £1,514 in December 2010.

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 financial statements, I must give my 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; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

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 resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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