

Police use of resources auditor feedback report

November 2007



Police Use of Resources

Surrey Police Authority

Audit 2006/07

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

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Introduction

- 1 This report presents the results of the 2006/07 police use of resources assessment (PURE) at Surrey Police Authority (the Authority). As the Audit Commission's appointed auditor to the Police Authority, we undertook this review during the period March 2007 - May 2007, as part of our responsibility to examine the economy, efficiency and effectiveness of the Authority's use of resources under section 5(1)(e) of the Audit Commission Act 1998.
- 2 We have completed our review in accordance with the methodology and guidance issued by the Audit Commission (the Commission). The results have been subject to internal and national quality control arrangements, designed to ensure compliance with the methodology and guidance, and to promote consistency.
- 3 This report summarises the approach taken and the results of the assessment. It also highlights areas for improvement based on the criteria issued by the Commission.

Approach and scoring

- 4 The PURE assessment enables auditors to form judgements on the police authority and force arrangements to secure effective use of resources across the five themes of financial reporting, financial management, financial standing, internal control and value for money.
- 5 Each theme consists of a number of key lines of enquiry (KLOEs) and areas of audit focus and evidence. There are also descriptions of performance against each key line of enquiry showing performance at levels 2, 3 and 4. These translate into the following judgements:
 - 1 = below minimum requirements – inadequate performance;
 - 2 = only at minimum requirements – adequate performance;
 - 3 = consistently above minimum requirements – performing well; and
 - 4 = well above minimum requirements – performing strongly.
- 6 The Commission will determine the overall use of resources score by combining the auditor's separate scores for each of the themes covered.
- 7 In forming our assessment, we need to take into account requirements of the methodology that is set out in the PURE guidance to auditors and briefings to police authority treasurers and force finance directors issued in February 2007. This is the second year in which auditors have undertaken PURE and the key principles for 2006/07 is one of a risk based and proportionate refresh from 2005/06, where auditor judgements and assessments are based on:
 - key changes to the KLOE criteria referred to in police authority guidance;
 - actions by police authorities and forces to address improvement opportunities identified in the 2005/06 PURE assessment, and where relevant additional HMIC recommendations linked to the 2005/06 baseline assessment on finance and resources;
 - to support scores of 3 and above, considering whether relevant arrangements are 'embedded'. That is, they have been operating consistently with clear outputs and are having an impact; and
 - for scores of 4 (performing strongly) considering whether, in addition to meeting the descriptors/criteria, police authorities can demonstrate innovation or best practice that can be shared with others.

Summary of scores for Surrey Police Authority

- 8 The score for each theme is summarised below, which includes comparative judgements for 2005/06.

Table 1 Surrey Police Authority - summary of use of resources scores by theme

Use of resources theme	2006/07 score	2005/06 score
Financial reporting	3	3
Financial management	3	3
Financial standing	3	3
Internal control	2	2
Value for money	3	3

Source: Audit Commission

Main conclusions

- 9 Surrey Police has made clear strides forward from an already strong performance last year, and is aspiring towards best practice in all areas. Among the key improvements, Surrey Police has:
 - published its medium term financial strategy in a single document;
 - developed an asset management strategy and new arrangements for managing the capital programme;
 - established an Audit Committee;
 - addressed weaknesses in its Activity Based Costing systems; and
 - publicised improved arrangements for declarations of gifts and hospitality by police staff.
- 10 Although the headline theme scores have not changed since last year, Surrey Police has improved the scores on two of the sub-themes (which are shown at Appendix 1). This is further evidence of the ongoing improvements being made by Surrey Police.
- 11 Surrey Police has sound arrangements for promoting good value for money. Delivery of value for money is a core principle of the organisation which is necessitated by Surrey's high aspirations and tight resources. The performance led budget setting process encourages the alignment of resources against priorities. Surrey Police is high achieving but with lower than average comparative costs.
- 12 At the end of the period under review (April 2006 – March 2007) some improvements and innovations were either very recent, were still in draft or were still being developed. In accordance with the Audit Commission's methodology, to support a score of 3 or above, improvements need to be embedded. This is defined as 'operating consistently with clear outputs and having an impact'. We have considered these new and recent developments during our 2006/07 review and we will revisit them at our next use of resources review, to consider the outcomes from those processes and impact they are making.

Financial management

Surrey Police has effective financial management arrangements and performs well in this area.

- 13 Surrey Police's financial management is driven by the Authority's corporate objectives and priorities. Surrey Police has recently published a new Medium Term Financial Strategy, which brings together the various financial plans and policies in a single document. The Authority has also recently developed new procedures to make the process for approving and monitoring the capital programme more transparent.

- 14 The Authority has a history of good control over its finances and budgetary arrangements are clear and well understood. Surrey Police is planning a programme of financial management training for budget holders and members, but at the time of our review this had not yet started.
- 15 The Authority treats property and other assets as a corporate resource linked to corporate objectives and priorities. An estates strategy and an ICT strategy have been approved this year. Surrey Police has also recently developed an overall asset management strategy bringing together the key elements of its approach.
- 16 Surrey Police has built on its strong arrangements. When we carry out our next review we will consider the outcomes from the new policies, procedures and strategies.

Financial standing

Surrey Police has well-established arrangements which have underpinned a good track record in meeting financial targets.

- 17 Surrey Police has a good track record of meeting its financial targets. Financial health indicators are actively monitored and reported to members. Surrey Police also assesses the adequacy of its reserves and provisions by analysing financial risks as part of the budget process.
- 18 These arrangements have been strengthened and made more transparent in 2006/07. A new reserves policy was discussed and determined by the full Authority in December 2006 and was published in the new medium term financial strategy.
- 19 The policy on the level of general reserve and is to reduce it over three-year period and to bring it into line with the Authority's target level. This policy includes using £3.5 million of reserves in 2007/08 to support the revenue position over a difficult period. Surrey Police recognises that using reserves in this way is not sustainable in future years, and that alternative funding will need to be identified if reductions in service provision are to be avoided.

Internal control

Surrey Police has made significant progress in strengthening its internal control environment

- 20 In 2006/07 Surrey Police has continued to make good progress in developing risk management arrangements. The approach to risk management is becoming more embedded in the day to day operations of the Authority but there remains scope for improvement.
- 21 We recommended last year that the Force should introduce a register of interests, gifts and hospitality for police staff. The Force launched the new register in March 2007.

- 22 The Authority has updated standing orders and standing financial instructions in 2006/07, although at the time of our review the updated versions were still in draft. The Authority is also introducing a formal review process, whereby these key documents would be reviewed and updated at regular intervals.
- 23 The Authority has now established an Audit Committee in line with Home Office requirements. The Audit Committee has met several times and is showing good signs of providing the required level of review and challenge. It is expected that the Committee will continue to develop its role and make a greater contribution to the Council's assurance framework.
- 24 The Authority is planning to review the effectiveness of the Audit Committee, and to provide specific training to Committee members relevant to their responsibilities. However this had not yet happened at the time of our review.
- 25 The Authority introduced a new Code of Corporate Governance shortly after the period under review. We will consider this in our next review.

Value for money

Surrey Police has built on its good arrangements to ensure value for money in its use of resources.

- 26 Surrey continues to demonstrate that the strengths confirmed in last year's use of resources review are still relevant. In summary, the Authority and Force costs are below average when compared to similar authorities and forces and when adjusted for local factors such as high staffing and property costs. Resources are directed to priority areas identified in the Policing Plan, with the focus on Neighbourhood Policing.
- 27 In early 2007, towards the end of the period under review, the Authority introduced new arrangements for the management of the capital programme. This should address one of the recommendations from last years review.
- 28 Surrey has improved its arrangements for managing and improving value for money since last year. Last years judgements on strengths are still valid and Surrey has put processes in place to address the identified weaknesses. Data quality arrangements and data quality are both improved since last year. Performance management has been more focused through the introduction of an Audit Committee and the linking of the Performance and Finance Panels.
- 29 Weaknesses in Activity Based Costing (ABC) have been addressed and ABC is now being used to inform the Workforce Modernisation programme. Procurement practices and partnerships continue to be reviewed and improved to drive value for money. Benchmarking is now more widely utilised to better understand cost comparisons particularly in high cost areas such as estates.
- 30 Driving value for money continues to be a core principle of this organisation which is necessitated by Surrey's high aspirations and tight resources. A number of the improvements last year, such as arrangements to manage the capital programme, were only addressed towards the end of the period under review. Surrey therefore has the opportunity to ensure these are embedded and a track record of outcomes delivered.

Financial Reporting

- 31 Surrey Police produced a model set of financial statements accounts and supporting working papers. This year saw a step improvement in the quality and timeliness of those accounts.
- 32 A robust closedown plan enabled Surrey Police to produce its draft accounts and working papers by the second week in June, earlier than any other Police Authority we are aware of. Supporting working papers were provided in electronic format on CD at the outset of the audit. These papers were clear and easy to follow. Finance staff were very helpful throughout the audit process and responded to all queries promptly.
- 33 There were no amendments to the accounts that had any net effect on I&E or the balance sheet. There were a small number of technical disclosure points which were around or below the triviality threshold. Surrey Police amended for these.
- 34 The financial reporting theme also focuses on reporting to the wider community. Although summary financial information is published in precept leaflets, Surrey Police Authority currently does not publish summary financial statements. Consultation with the community is planned for October 2007, but did not take place during the period under review.

The way forward

- 35 We have discussed the results of this work with the Authority and Force, and the key messages have been reported in our Annual Audit Letter. We have also discussed the proposed changes to the PURE approach for the 2008 and 2009 assessments. We plan to present this report to the 11 December Audit Committee.

Appendix 1 – Theme judgements

Key lines of enquiry (KLOEs)	Score 2007	Score 2006
Financial reporting		
1.1 The authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	4	3
1.2 The authority promotes external accountability.	2	2
Financial management		
2.1 The authority's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities	3	3
2.2 The authority and force manage performance against budgets	2	2
2.3 The authority and force manage their asset base (including their estate and vehicle fleet) and their IM&T service.	3	3
Financial standing		
3.1 The authority manages its spending within the available resources	3	3
Internal control		
4.1 The authority and force manage their significant business risks	3	3
4.2 The authority and force have arrangements in place to maintain a sound system of internal control	2	2
4.3 The authority and force have arrangements in place that are designed to promote and ensure probity and propriety in the conduct of their business	2	1
Value for money		
5.1 The authority and force currently achieve good value for money	3	3
5.2 The authority and force manage and improve value for money	3	3