

Police Use of Resources

Auditor feedback report

Surrey Police Authority

Audit 2007/08

Date **December**

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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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Introduction

- 1 This report presents the results of the 2008 Police Use of Resources assessment (PURE) at Surrey Police Authority. As the Audit Commission's appointed auditor to the Police Authority, we undertook this review during the period March 2008 – May 2008, 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 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.

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Approach and scoring

- 4 The PURE assessment requires auditors to form judgements on the police authority and force arrangements to secure effective use of resources across five themes:
 - financial reporting;
 - financial management;
 - financial standing;
 - internal control; and
 - value for money.
- 5 Each theme consists of key lines of enquiry (KLOE) and areas of audit focus. Auditors are required to make a judgement for each KLOE against a set of 'descriptors' or 'criteria'. Judgements are made using the Audit Commission's scoring scale.
 - 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 take account of the methodology set out in the PURE guidance to auditors, and briefings to police authority treasurers and force finance directors issued between October 2007 and February 2008.
- 8 This is the third year auditors have undertaken PURE assessments. The key principles for the 2007/08 approach is a risk based and proportionate refresh of 2006/07 findings, with a focus on:
 - key changes to the KLOE referred to in police authority guidance;
 - actions by police authorities and forces to address improvement opportunities identified in the 2006/07 PURE assessment;
 - for scores of 3 and above, considering whether relevant arrangements are 'embedded' - 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

- 9 Table 1 summarises the scores and 2006/07 comparative judgements for each theme.
- 10 Overall we assessed that Surrey Police Authority is at level 3. This means that it is consistently above minimum requirements and performing well. Whilst the overall score has not changed since last year's assessment scores for individual themes show overall improvement in particular the scores achieved for the Internal Control and Value for Money themes.

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

Use of resources theme	2007/08 score	2006/07 score
Financial reporting	2	3
Financial management	3	3
Financial standing	3	3
Internal control	3	2
Value for money	4	3

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Key messages and actions for the Police Authority

- 11 This summary sets out key findings; both overall for the police authority and force and in relation to each theme, summarising strengths and areas for improvement.

Overall messages

- 12 From a strong position in the last PURE assessment Surrey Police has continued to demonstrate high levels of performance across all themes. Among the key improvements, Surrey Police has:
- Demonstrated excellent value for money by delivering high levels of performance from a relatively low cost base;
 - Provided clear links between spending decisions and priorities through the 'Making it Count' approach to setting the revenue budget;
 - Introduced finance training for non-finance managers and authority members;
 - Identified and begun a strategic change plan which aims to safeguard long term financial standing.
 - Introduced a formal process for the review and updating of Standing Orders and Standing Financial Instructions
- 13 Whilst the overall score for the assessment has not changed, Surrey Police has improved the scores on two of the themes in this assessment; internal control and value for money. The decline in score for financial reporting was due to circumstance specific to the closedown and audit process this year, which we would not anticipate being replicated in the future. The overall picture from our work is that ongoing and effective improvements are being made by Surrey Police.
- 14 Of particular note in this year's assessment is the score of four for the Value for Money theme. This score was achieved because Surrey Police has robust arrangements for promoting good value for money. These arrangements enable Surrey Police to be amongst the best performing forces in the country but with lower than average relative costs.

Theme summaries

Financial reporting

Theme score - 2
Purpose
To assess the strength of the authority's and force's financial accounting and reporting arrangements.
Key findings and conclusions
<p>The Authority produced draft financial statements in accordance with the statutory deadlines and the accounts were approved by the Audit Committee on 23 June 2008. We were able to issue an unqualified opinion on a revised set of statements before the 30 September deadline.</p> <p>The draft statements provided for audit generated a larger number of issues than anticipated and a material amendment of £2.7m was required to the balance sheet before we were able to issue our opinion. For this reason we were unable to pass the Authority at level 3 in this year's assessment.</p> <p>Staff sickness within the finance team and additional pressures caused some delays during the closedown and audit process. However the circumstances that created this situation were exceptional and we anticipate that these will not be replicated in future years.</p> <p>The Authority's website provides the public with useful information and includes an archive of minutes and agendas of public meetings. The Authority also publishes its most recent financial statements and Annual Audit Letter on the website.</p> <p>During 2007/08 the Authority consulted local residents about the type of financial information they would like to receive from Surrey police and what format this information should take. However, during the period covered by this assessment the Authority did not publish summary financial statements or an annual report for residents.</p>

Improvement opportunities	
<p>KLOE 1.1 The authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>R1 In conjunction with the external audit team review the closing and audit facilitation process to ensure that delays and difficulties experienced in 2007/08 are not repeated in future years.</p>
<p>KLOE 1.2 The authority promotes external accountability.</p>	<p>R2 Use the results of the consultation exercise carried out this year to produce summary financial information that meets the needs of stakeholders.</p>

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Financial management

Theme score - 3
Purpose
To assess how well the authority and force plan and manage its finances.
Key findings and conclusions
<p>The Medium Term Financial Strategy (MTFS) clearly sets out the Authority's plans over the next three year period and is updated annually as part of the budget setting process. The risks and challenges facing the Authority over this period are clearly acknowledged in the MTFS and it provides a solid basis for financial decision making.</p> <p>The Authority and Force business planning is clearly integrated with financial planning and the 'Making it Count' approach to revenue budget setting provides a robust and transparent means of linking resources to priorities.</p> <p>Capital resources are similarly allocated on the basis of clear priorities with the 'gateway' process providing a very effective and open mechanism for ensuring that this happens consistently.</p> <p>A key improvement is the introduction of financial management training for non-finance managers and Authority members. Unfortunately the take up of the training provided to members was variable and the Authority should seek ways of encouraging attendance during the coming year.</p> <p>Asset management is a strength area for Surrey Police. The combined estates strategy between the Authority and the force allows for the estate to be reviewed in its entirety. As well as the Authority's involvement on the Estate Strategy Group reporting to the Finance and Performance Panel ensures that the Authority is able to provide effective scrutiny on asset management issues.</p> <p>The Force has used benchmarking effectively to consider whether it achieves value for money from its asset base. Recent asset sharing initiatives with local district councils have been successful in reducing costs to the taxpayer and provide opportunities for better partnership working and joined up service delivery.</p>

Improvement opportunities	
KLOE 2.1 The authority's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.	R3 Develop the MTFS so that it describes more explicitly in financial terms the joint plans agreed with partners and other stakeholders.
KLOE 2.2 The authority and force manage performance against budgets.	R4 Encourage wider participation in the training provided to members during the year
KLOE 2.3 The authority and force manage their asset base (including their estate and vehicle fleet) and their IM&T service.	<p>R5 Continue to make effective use of benchmarking to ensure the delivery of value for money from the organisation's asset base.</p> <p>R6 Build on opportunities already identified in relation to asset sharing with local partners.</p>

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Financial standing

Theme score - 3	
Purpose	
To assess how well the authority safeguards its financial standing.	
Key findings and conclusions	
<p>Surrey Police have a good track record of meeting financial targets and maintaining resources within spending. The planned savings of £1.9m were delivered in 2007/08, although in part this was achieved through non recurring means, such as holding open vacancies during the year.</p> <p>The Authority and the Force have been quick to recognise the financial pressures they will face in the medium term and have embarked on a strategic change programme which aims to secure savings to meet the identified funding shortfall.</p> <p>The scale of the financial challenges facing Surrey Police remains significant. It will be essential for management to remain focused on managing its finances and securing savings in the timeframes identified, to identify potential slippage at an early stage and, in such an event, to take immediate and robust corrective action.</p>	
Improvement opportunities	
KLOE 3.1 The authority manages its spending within the available resources.	R7 Continue to monitor progress against the planned savings, managing slippage and exploring additional opportunities to secure additional efficiencies.

Internal control

Purpose
To assess how well the authority's and force's internal control environment enables them to manage their significant business risks.
Key findings and conclusions
<p>Risk management arrangements have developed during the year; the risk management strategy and associated policies were updated during the year of assessment and reporting to members has been further developed.</p> <p>The significant risks in relation to partnerships were managed informally during the year. Arrangements to formalise these existing processes are being put in place, but fell outside of the timeframe for this assessment.</p> <p>During the year formal arrangements were introduced for the regular review and updating of Standing Orders and Standing Financial Instructions.</p> <p>The current assurance framework has not been formally in place for long and there are elements that are not fully embedded into business processes, although progress in this respect was clearly made during 2007/08.</p> <p>The Audit Committee have carried out a review of its effectiveness and in conjunction with Surrey County Council the Authority provided Audit Committee members with training on their role and function. Although not delivered during 2007/08, we understand that the ethics training is planned during 2008/09.</p> <p>The recently introduced '360 degree' questionnaire for members is an innovative example of how member development might be taken forward by the Authority, unfortunately it was introduced too late in the period to be considered embedded at this stage, we also note that take up of the questionnaire has been mixed.</p> <p>The registers of gifts and hospitality introduced last year were well promoted during the year and we now consider this process to be embedded.</p>

Theme summaries

Improvement opportunities	
KLOE 4.1 The authority and force manage their significant business risks.	R8 Develop and embed risk management arrangements which identify and manage risks in relation to key partnerships.
KLOE 4.2 The authority and force have arrangements in place to maintain a sound system of internal control.	R9 Ensure that the assurance framework is fully embedded in the business processes of the Authority and Force.
KLOE 4.3 The authority and force have arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	R10 Encourage further take up of the 360 degree approach and ensure that planned training on ethical issues is delivered.

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Value for money

Theme score - 4	
Purpose	
To assess the achievement of value for money within the authority and force and to conclude on the robustness of arrangements to secure improvements.	
Key findings and conclusions	
<p>Surrey Police achieve very good value for money. High performance is delivered across a range of key services while costs demonstrate best value when adjusted for local factors such as higher staffing and retention costs.</p> <p>When compared to similar forces Surrey Police receives a very low level of grant funding from central government and has the lowest expenditure per Band D property of any force in England and Wales. The high level of performance from a relatively low level of funding demonstrates excellent value for money to the taxpayer.</p> <p>Robust arrangements are in place for performance management of value for money including benchmarking and the production and use of reliable data. Budget setting and management is well established, performance driven, and aligned to strategic priorities and targets.</p> <p>Through these arrangements Surrey Police is able to demonstrate a solid track record of managing costs whilst maintaining a focus on the quality of services and responding to local needs.</p> <p>Looking forward Surrey Police's strategic change programme will business change projects such as workforce modernisation and its operational services review to drive improved efficiency. The implementation of many of these initiatives fell outside of this year's assessment and their successful delivery will be key to maintaining the high level of performance in next year's assessment.</p>	
Improvement opportunities	
KLOE 5.1 The authority and force currently achieves good value for money.	R11 Having achieved such a high level of performance this year the organisation will need to focus on maintaining its high level of performance whilst keeping relative costs current low levels.
KLOE 5.2 The authority and force manage and improve value for money.	R12 Ensure that focus is maintained on outcomes and priorities during the restructuring taking place in the medium term.

Status of the report and next steps

- 15 We have agreed this letter with key officers at the Authority and Force. We will present the report at the Audit Committee on 15 December 2008. We are currently working with officers to develop an action plan to monitor the recommendations in this report. This action plan will be included in the final version of this report and circulated to members.
- 16 Summary messages and the key findings from this assessment will also be included in the Annual Audit Letter.

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