

Annual Governance Report

Surrey Police Authority

Audit 2008/09

Date

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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.
-

Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Audit opinion

- 1 The audit of the 2008/09 financial statements is substantially complete. The audit is currently being concluded in line with internal quality processes. Subject to the successful completion of our work, I intend to issue an unqualified audit opinion on the accounts by 30 September 2009. A draft report covering the audit opinion and the value for money conclusion is attached at Appendix 1.

Financial statements

- 2 The financial statements were of a high standard. Working papers supporting the statements were provided on a timely basis, were clearly presented and of a good quality. The finance team have been very helpful and responded quickly to our queries. We agreed with the Authority we would use an issues tracker this year and this has helped considerably in managing the audit process. Last year we encountered a number of difficulties in progressing the audit. We have encountered none of the same issues this year the audit has gone and welcome the way that the finance team in particular have responded to the recommendations made last year.
- 3 The arrangements for the production of the Authority's financial statements are sound.
- 4 Our work is substantially complete and we have not identified any errors of a material nature thus far. At the date of this report, we are carrying out final internal quality procedures. Should any further issues arise from these procedures we will report these to you immediately.
- 5 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Use of resources

- 6 I have assessed how well the Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people. My assessment considers how well the Authority performs across three areas:
 - Managing finances
 - Governing the business

- Managing resources

7 I have assessed the Authority as performing well in its use of resources during the year (a score of 3 out of 4). I therefore intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. Appendix 1 contains the wording of my draft report.

Audit Fees

8 In my initial audit plan I set out an indicative fee for completing the opinion audit (£66,492 out of a total audit fee of £86,235). At that stage I stated that I would keep the fee under review. With the audit now substantially complete I do not propose any variation to my initial fee.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

9 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements;
- agree to adjust the errors in the financial statements I have identified which management has declined to amend or set out the reasons for not amending the errors (Appendix 2);
- take note of the VFM Conclusion and Use of Resources scores;
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

10 The audit of the 2008/09 financial statements is substantially complete. The audit is currently being concluded in line with internal quality processes. Subject to the successful completion of our work, I intend to issue an unqualified audit opinion on the accounts by 30 September 2009. A draft report covering the audit opinion and the value for money conclusion is attached at Appendix 1.

Errors in the financial statements

- 11** I have not identified any material errors in the financial statements based on the work completed to date.
- 12** I have identified some non trivial errors in the accounts. Management has agreed to amend the accounts for the majority of these items. However Appendix 2 includes those errors and uncertainties were no adjustments have been made to the financial statements.

Material weaknesses in internal control

- 13** I have not identified any weaknesses in the design or operation of internal control that might result in a material error in your financial statements of which you are not already aware.
- 14** I do not provide a comprehensive statement of all weaknesses which may exist in internal control, or of all improvements which may be made. I only report on those matters which have come to our attention because of the audit procedures that have been performed.

Letter of representation

15 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you. If the Committee decides not to adjust the financial statements for the items set out in Appendix 2 then the Authority will need to provide the reasons for this decision as part of the letter of representation.

Key areas of judgement and audit risk

16 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 **Key areas of judgement and audit risk**

Issue or risk	Response and Finding
<p>In the 2007/08 accounts the Authority capitalised a significant amount of staff salaries. At the time of audit the evidence available did not conclusively support the grounds for this treatment.</p>	<p>We carried out a review of capital expenditure and were able to confirm that capitalised staff costs were not material in this year's accounts. We have therefore not investigated further the appropriateness, or otherwise, of capitalising these costs. The absence of further comment this year is due solely to the fact the costs are not material in the year of audit, and should not be taken as an express or implied view that we agree with the accounting treatment.</p> <p>The Authority has been capitalising a number internal costs as part of the implementation of the new Crime Information System. These are currently shown as Assets under Construction in the Balance Sheet. When the project is finished and the asset brought into use the Authority will need to review the value at the date of being brought into use and consider whether a value in existing use is lower than the costs that have been incurred in developing it.</p>
<p>The valuation of the Authority's portfolio of tangible fixed assets, in particular the impairment of assets as a result of the economic downturn, posed a risk of material misstatement.</p>	<p>The Authority employed an external valuer to look at its land and buildings this year with the exception of Police Houses where a desktop revaluation exercise was undertaken. The resulting valuations resulted in a material impairment to tangible fixed assets. We were satisfied that the valuations undertaken by the external valuer mean that the Authority's assets are unlikely to be materially misstated as at 31 March 2009. The desktop exercise was revisited during the audit as we had concerns that the index used to carry out the exercise had not</p>

Issue or risk	Response and Finding
	been properly applied. A further impairment of £872k has been made to these assets in the final version of the accounts.
The Authority places money with Surrey County Council for the purposes of investment. The Council has £20m of its investments currently at risk in Icelandic banks, The Authority has agreed that £1.5m of these investments relates to its share of this risk.	Following the approval of the draft financial statements The Authority received some advice from Surrey County Council which altered the way that this issue was treated in the financial statements. Acting on this guidance the Authority has impaired its cash held with the Council by £171k. The only outstanding issue is whether the money set aside to meet any losses should be treated as an earmarked reserve or a provision. Appendix 2 includes more information on this matter.

Accounting practice and financial reporting

- 17 I consider the qualitative aspects of your financial reporting. There are two issues that I would like to bring to the Committee's attention.
- 18 As part of the closedown process members are asked to submit an annual return which lists any organisations which the Authority transacts with where they may be considered to have an interest. These returns are then used to compile the related party transactions in the financial statements. This year two returns were not completed until after the draft accounts had been approved. The Authority should review its arrangements for obtaining related party transaction returns and ensure that the process is completed in time to inform the production of the draft financial statements.
- 19 The fixed asset register contained a large number of ICT assets and vehicles which were fully depreciated and which go back a number of years. There is a risk that the gross book value of the Authority's assets is overstated and that the Authority is holding records for assets which have either been disposed off or decommissioned. Management has agreed to amend the accounts for those assets which are over six years old. We are satisfied that this issue has not resulted in a material misstatement in this years accounts. However the Authority should carry out an exercise to review the contents of its fixed asset register. The planned move to an Oracle based register during 2009/10 provides an appropriate opportunity to do this.

Recommendation

- R1 Review arrangements for obtaining related party transaction returns and ensure that the process is completed in time to inform the production of the draft financial statements.

Financial statements

R2 Review the contents of the fixed asset register, in particular fully depreciated assets. Ensure that only those assets still in use are transferred to the new Oracle based system.

Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude whether the Council 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.

Use of resources judgements

- 20** 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.
- 21** 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.
- 22** The Council's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 4.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources	3

- 23** My overall assessment of the organisation is that it is performing well above minimum standards in its Use of Resources and has scored a 3 out of a possible 4. Detailed findings have been included in Appendix 4.

Value for money conclusion

- 24** I assess 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 will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 4.

Use of resources

- 25** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

Appendix 1 – Independent auditor’s report to Members of Surrey Police Authority

Opinion on the financial statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Surrey Police Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Surrey Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer’s responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its police pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Appendix 1 – Independent auditor’s report to Members of Surrey Police Authority

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the police pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the police pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the police pension fund accounting statements and related notes.

Opinion

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority [and

its Group] as at 31 March 2009 and its income and expenditure for the year then ended; and

- The police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the police pension fund during the year ended 31 March 2009 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Surrey Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Appendix 1 – Independent auditor’s report to Members of Surrey Police Authority

Paul Grady

District Auditor

Audit Commission
1st Floor
CEC Business Centre
Crossweys
28-30 High Street
Guildford
Surrey
GU1 3EL

xx September 2009

Appendix 2 – Unadjusted misstatements in the accounts

The following misstatements were identified during the course of my audit and the financial statements have not been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities. If you decide not to amend the accounts for these items, please tell us why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected misstatements to the representation letter.

Table 3

Description of error	Accounts effected	Value of misstatement £Thousand
The Authority has not revalued the equity loans in the balance sheet. As these debts are linked to properties it would be appropriate to value them at market value.	Long Term Debtors Financial Instruments Adjustment Account	179 (179)
The Authority has included a provision in its accounts which does not strictly meet the requirements of FRS 12. It would be more appropriate to include this amount as an earmarked reserve.	Provisions Earmarked Reserves	(129) 129
The Authority has charged depreciation on surplus assets. This is not in accordance with the requirements of the SORP.	Revaluation Reserve Accumulated Depreciation	(134) 134

Appendix 3 – Draft letter of representation

To: Paul Grady
District Auditor

Audit Commission
1st Floor
CEC Business Centre
Crossweys
28-30 High Street
Guildford
Surrey
GU1 3EL

Surrey Police Authority - Audit for the year ended 31st March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Surrey Police Authority, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31st March 2009.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Authority and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects on the financial statements of the unadjusted misstatements listed in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Authority and the reasons for not correcting these items are as follows;

- reason 1 etc;
- reason 2

(We will require representations from management if members decide not to amend the accounts for the misstatements listed in Appendix 2)

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority and Committee meetings, have been made available to you.

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Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.
- I also confirm that I have disclosed:
 - my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
 - my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 3 – Draft letter of representation

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority.

The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For financial instruments fair value assumption, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require/do not require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and

- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Authority, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Surrey Police Authority

I confirm that the this letter has been discussed and agreed by the Authority's Audit and Standards Committee on 16th September 2009

Signed

Name

Position

Date

Appendix 4 – Use of resources key findings and conclusions

The following tables summarise the key finding and conclusions for each of the three use of resources themes.

Table 1 Managing finances

Theme score - 3

The organisation manages its finances very effectively and demonstrates good value for money. There is a clear understanding of what the organisation hopes to achieve and this has been informed by extensive consultation with local people. Resources are effectively targeted at priority areas and outcomes are measured. There is a strong value for money culture in place and an ongoing efficiency programme, which has not had a negative impact on service delivery. In fact the key measures of confidence and satisfaction have increased during the same period. The recurrent capping issue does though raise questions about how effectively some of the risks surrounding financial planning have been managed. However, the Authority was able to demonstrate it was aware of the risk of capping and took steps to mitigate this risk. The ability of the Authority to respond quickly to the capping decision and to adjust medium term business plans to take account of the reduced budget demonstrates the Authority is in control of its finances and understands the consequences of its decisions.

The Authority has a sound understanding of its costs and makes effective use of this understanding to inform decision making. There is extensive and effective use of benchmarking information and this is used to focus on areas where costs appear high. The organisation demonstrates a culture which continually seeks to identify further savings. The current efficiency plan is delivering savings and progress is closely monitored throughout the year.

Historically financial reporting is sound and the difficulties encountered during closedown in 2007/08 were successfully addressed during 2008/09. The organisation keeps the public well informed in many areas and this has been highlighted particularly during the recent capping issue. However the reporting of financial performance, for example through summary accounts or an annual report is less well developed and the Authority should consider an appropriate means of providing the public with information on financial performance which is pitched at the appropriate level.

Appendix 4 – Use of resources key findings and conclusions

Theme score - 3	
<p>KLOE 1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?</p> <p>Score VFM criterion met</p>	<p>3 Yes</p>
<p>KLOE 1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?</p> <p>Score VFM criterion met</p>	<p>3 Yes</p>
<p>KLOE 1.3 Is the organisation’s financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?</p> <p>Score VFM criterion met</p>	<p>2 Yes</p>

Table 2 Governing the business

Theme score – 2

The Authority can demonstrate that it commissions and provides quality services which are tailored to local needs. It is able to demonstrate that it delivers sustainable outcomes and good value for money for local people. There is a clear vision of what the organisation wants to achieve and these are reflected in the Local Policing Plan. This has been developed by the Authority and Force and focuses on local priorities and needs as informed by extensive and ongoing consultation with local people. This has led to the development of the "Surrey First" discretion project and a greater focus on neighbourhood policing through Crime and Disorder Reduction Partnerships

Performance is monitored continually using generally sound data. The Authority and Force have acknowledged the need to improve the use and quality of data in some areas and the replacement of the current Crime Information System should achieve the required improvements. The organisation can demonstrate effective joint procurement which has resulted in net benefits to the taxpayer.

The Authority promotes and demonstrates the principles and values of good governance. It has started work on a member development charter which includes the promotion of the 360 degree appraisal. The plan also sets out what the Authority seeks to achieve through its training and development plans for members and how that achievement can be identified, assessed and evaluated. This was endorsed by the South East Employers (an employers' organisation which represents the interests of local authorities and public bodies) in December 2008. Given the anticipated turnover of members following the June elections the Authority has sensibly postponed full implementation of these processes meaning that the outcomes from these changes cannot yet be fully assessed.

During 2008/09 the Force and Authority had draft Partnership Strategies in place, which demonstrate how they expect to achieve their aims through partnership working. Work has been done to identify significant partnerships and seeks to work constructively with them in order to achieve common aims. An example of the strategic approach to partnerships has been the recent decision to review and reduce funding to selected bodies where they do not align with the strategic direction of Surrey Police. The aim is to ensure that resources are directed to providing effective outcomes, whilst focusing on value for money.

There is a sound system of internal control in place and effective risk management at a Force and Authority level. During the year a new Authority risk register was compiled, with the assistance of Internal Audit. This has enabled the Authority to see with more clarity, and manage more actively, the risks relating to them. Risks continue to be linked to strategic

Appendix 4 – Use of resources key findings and conclusions

Theme score – 2	
plans and objectives. With the change in Internal Auditors in 2008/09 the Authority have also introduced a more risk based approach to the way that internal audit resources are used. These new arrangements should enable the Authority to demonstrate the impact and improvements which are achieved over the life of the IA contract and we will assess the impact and outcomes achieved during future Use of Resources assessments.	
KLOE 2.1 Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money? Score VFM criterion met	3 Yes
KLOE 2.2 Does the organisation produce relevant and reliable data and information to support decision making and manage performance? Score VFM criterion met	2 Yes
KLOE 2.3 Does the organisation promote and demonstrate the principles and values of good governance? Score VFM criterion met	2 Yes
KLOE 2.4 Does the organisation manage its risks and maintain a sound system of internal control? Score VFM criterion met	2 Yes

Table 3 Managing resources

Theme score - 3

Surrey Police has been a pilot force for workforce modernisation and has introduced changes across the Force so that a number of former police officer posts are now covered by police staff. It has been a showcase for others and led to a range of key changes. The pilot has resulted in the optimisation of the workforce mix across the Force. It has also meant reduced staff costs and the release of operational police time for front line duties. Savings of £1m have already been made and further savings of £1.6m are expected over the next two years.

There is a medium term Human Resources Strategy in place which is in line with the strategic priorities of Surrey Police. It is part of this strategy to ensure that the Force is equipped with the right people, with the right skills in the right place at the right time. The strategy provides the context for annual workforce planning which sets out where there is need to increase or reduce resources during the financial year and the impact of such decisions. Progress is monitored through the Strategic Change Board on a monthly basis using an allocation and strength report, which allows senior leaders to monitor actual resources against its budgeted allocation. The report also identifies trends and risks to resources and subsequent skills profiles via an analytical dashboard tool. This product provides a six month overview of the percentage of constables and sergeants available for duty against the budgeted establishment. The resulting data is presented against tolerance levels which indicate whether the Force, or local command unit, is operating against low, medium or high risk bands. This effective planning and monitoring of its workforce has allowed the Force to manage demand effectively and develop policing solutions that meet local needs on the basis of risk and associated costs. This approach has been essential to the Force achieving its efficiency targets.

During the last two years, Surrey Police has been managing significant change programmes across support services in order to improve efficiency and optimise the use of resources so as to help to close the budget gap. These programmes have primarily affected Human Resources and Finance & Services, but are now rolling out to other support services such as Fleet and the Strategic Support Department. Prior to this the Force successfully moved from 4 BCU's to 3 in 2007/08. The initial indications are that these changes have been successfully managed but a greater distance in time is required before the full impact can be assessed.

There are some good examples of innovation. Surrey Police has introduced the concept of Recruit Training Modernisation. Working in partnership with Portsmouth University, it has developed a 'Policing Certificate' which can be taken through participating colleges and universities alongside a distance learning programme. Once obtained, it will mean that a

Appendix 4 – Use of resources key findings and conclusions

Theme score - 3

significant proportion of a recruit's initial training programme has already been completed. This reduces the amount of classroom time required in the training phase of their probationary period and the projected cashable savings for the next two years amount to £0.6m.

The Force Diversity Directorate and Recruitment department have worked together to put a full programme in place for attracting under-represented groups during police officer recruitment campaigns. Support and guidance is given with applications and the team works in partnership with Surrey University to make available a language course for those whose first language is other than English. This course is in its early stages with small numbers. Surrey Police has a comprehensive and well understood policy on diversity and that policy and related procedures are held on the intranet. All staff receive training on diversity. Diversity training is also provided for Authority members.

KLOE 3.3 (workforce planning)

Score

3

VFM criterion met

Yes

Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R1 Review arrangements for obtaining related party transaction returns and ensure that the process is completed in time to inform the production of the draft financial statements.	2				
10	R2 Review the contents of the fixed asset register, in particular fully depreciated assets. Ensure that only those assets still in use are transferred to the new Oracle based system.	3				

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.

Copies of this report

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