

# Annual Audit Letter

Suffolk Police Authority

Audit 2008/09

November 2009



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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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# Key messages

**This report summarises the findings from my 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

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## Audit opinion

- 1 I issued my opinion on the 2008/09 financial statements on 30 September 2009. My opinion was 'unqualified' meaning that I agreed that the financial statements presented fairly the financial position of the Authority.

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## Financial statements

- 2 My Annual Governance Report, issued on 25 September 2009, reported four errors of classification in the financial statements, for which Authority Members agreed to amend. The errors did not impact on the financial position of the Authority. However, my report included one recommendation in respect of improving accounting arrangements, which the Authority is implementing.
- 3 The Authority will need to prepare its 2010/11 financial statements under International Financial Reporting Standards (IFRS). This is a significant change in financial reporting and Authority Members need to monitor progress to ensure that the financial statements are produced in line with the new requirements.

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## Value for money and use of resources

- 4 I issued an unqualified value for money conclusion on 30 September 2009, stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. Overall, Suffolk Police Authority and Force scored at level 2 in its use of resources, which equates to performing adequately. My audit identified areas for improvement, which were reported in the Annual Governance Report to Monitoring and Audit Committee Members. The summary judgements to support the use of resources assessment are provided at Appendix 1.
- 5 Financial reporting to the Authority continue to highlight potential significant financial pressures over the period 2010/11 - 2013/14. Planning assumptions are being based on efficiency savings required of £9.1 million, but with best and worst requirements estimated at between £3.2 million and £20.3 million. Members will need to monitor the robustness of efficiency plans devised to minimise overspends and sustain levels of reserves.

- 6 The Authority responded promptly to the economic downturn in reviewing its treasury management activities and updating its medium term financial strategy. However, Members should remain vigilant as to economic conditions and the potential impact for the Authority.
- 7 The ongoing Strategic Review Programme has restructured the Force's core business and operational areas aimed at improving service delivery. Members are monitoring the benefits and efficiencies arising, and have begun to address the issues raised within the HMIC report on 'Delivering the Policing Pledge', which awarded the Force a 'Poor' rating.
- 8 The Authority continues to progress collaborative working with neighbouring Police Authorities. Members need to continue to obtain assurance in respect of the governance, accountability and accounting risks associated with partnership initiatives.
- 9 The Authority and Force have appropriate arrangements in place to follow up referrals from the Audit Commission's National Fraud Initiative. Officers have found no evidence of fraud to date from the 2009 exercise.

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### Audit fees

- 10 My Annual Governance Report indicated that additional fees may be required in respect of additional audit work undertaken in respect of control weaknesses within the financial systems for Accounts Payable, Accounts Receivable and Payroll. However, the cost of additional audit work this year has been absorbed within the total fee by reallocation of resources from the value for money work.

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**Table 1**      **Audit fees**

	Actual	Planned	Variance
Financial statements and annual governance statement	50,000	48,000	2,000
Value for money	32,000	34,000	(2,000)
<b>Total audit fees</b>	<b>82,000</b>	<b>82,000</b>	<b>0</b>
Non-audit work	0	0	0
<b>Total</b>	<b>82,000</b>	<b>82,000</b>	<b>0</b>

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### Actions

- 11 Recommendations are shown within the body of this report and have been agreed as set out in Appendix 2.

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### Independence

- 12 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

## Key messages

<b>Recommendations</b>	
<b>R1</b>	Review progress made to prepare for the 2010/11 financial statements in line with International Financial Reporting Standards.
<b>R2</b>	Review the outcome of the Use of Resources assessment as reported in the Annual Governance Report and consider actions to take to address the areas for improvement.
<b>R3</b>	Monitor the robustness of efficiency plans devised to minimise overspends and sustain levels of reserves.
<b>R4</b>	Continue to obtain assurance in respect of the governance, accountability and accounting risks associated with partnership initiatives.

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# Financial statements and annual governance statement

**Suffolk Police Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.**

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## Significant issues arising from the audit

- 13 I issued an unqualified opinion on the financial statements on 30 September 2009.
- 14 Before giving my opinion I reported to those charged with governance (Authority Members) on 25 September 2009, on the issues arising from the 2008/09 audit. My report highlighted four errors of classification in the financial statements, for which Members agreed to amend.
- 15 The classification errors did not impact on the financial position of the Authority.

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## Material weaknesses in internal control

- 16 I did not identify any significant weaknesses in your internal control arrangements.
- 17 However, my work identified that key controls could be improved in respect of:
  - maintaining a complete and up to date signatory list for authorisation of transactions for Accounts Payables and Accounts Receivables;
  - coding arrangements for non-catalogue purchases within the I-procurement system to ensure that payments are classified correctly; and
  - completion of the annual pay verification exercise by Human Resources involving the matching of data supplied by payroll department.
- 18 The weaknesses arose from restructuring within the Force and the introduction of new working practices. In addition, compensating controls exist, particularly in relation to budgetary controls. However, I consider that the controls highlighted are key to the operation of these financial systems and the controls should be in place throughout each financial year.

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## Accounting practice and financial reporting

- 19 I considered the qualitative aspects of your financial reporting.
- 20 My report noted amendments to several accounting policies and disclosure notes which improved the clarity of the financial statements.

### International Financial Reporting Standards

- 21** The Authority will need to prepare its 2010/11 financial statements under International Financial Reporting Standards (IFRS).
- 22** Early preparations are required in order to:
- re-state comparative figures;
  - produce the Authority's Whole of Government Accounts schedules from 2009/10 based on IFRS principles; and
  - compile the 2010/11 Authority's budget on the new basis.
- 23** The new Standards represent a significant change in financial reporting and Authority Members need to monitor progress for the preparation of the 2010/11 financial statements in line with International Financial Reporting Standards.

# Value for money and use of resources

I considered how well Suffolk Police Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Authority 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

- 24 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.
- 25 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.
- 26 Overall, Suffolk Police Authority and Force scored at level 2 in its use of resources, which equates to performing adequately. The Authority's use of resources theme scores are shown in Table 2 below.

**Table 2 Use of resources theme scores**

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

- 27 Overall, Suffolk Police Authority and Force are performing adequately in managing finances, governing the business, and in managing resources, which for 2008/09 covered the planning, organisation and development of the Authority's and Force's workforce.
- 28 The key findings and conclusions for the three themes, and the underlying KLOEs, were reported in my Annual Governance Report on 25 September 2009. The summary judgements to support the use of resources assessment are provided at Appendix 1.

## Value for money and use of resources

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### VFM conclusion

- 29 I assessed 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.
- 30 I issued an unqualified conclusion stating that Suffolk Police Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

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### Financial position

- 31 For 2008/09, the Authority reported a net revenue underspend of £0.6 million against the budget of £106 million. Capital expenditure amounted to £7.8 million which was £1.9m million less than the full year budget of £9.7 million. As reported to the July 2009 Authority meeting, the variances was mainly due to the deferment of costs due to the re-phasing of a number of schemes.
- 32 Reports to the Authority continue to highlight potential significant financial pressures over the period 2010/11 - 2013/14. Planning assumptions highlight efficiency savings required of £9.1 million, but with best and worst requirements estimated at between £3.2 million and £20.3 million.
- 33 As at 31 July 2009, reports to the Budget Monitoring Group indicate underspends against budget for 2009/10 on both Authority and Force budgets. However, Members will need to monitor the robustness of efficiency plans devised to minimise overspends and sustain levels of reserves.

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### Economic downturn

- 34 The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them.
- 35 The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes. There are further challenges for policy priorities where patterns of demand for services are changing. This may require the delivery of more stretching efficiency targets in the future.
- 36 The Authority responded promptly to the collapse of the Icelandic Banks by reviewing its treasury management activities and recognising potential impact on future finances in its medium term financial strategy.
- 37 Otherwise, management report little impact for the Police Authority and Force on service delivery. However, Members should remain vigilant as to economic conditions and the potential impact for the Authority.

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### Strategic review programme

- 38 The Strategic Review Programme has restructured the Force's core business and operational areas with the aim of improving service delivery. Members are monitoring progress. The Force's Annual Report notes that from the programme in 2008/09, efficiency savings exceeded the target figure of £3.11 million by £0.5 million. The Review is ongoing and further initiatives are planned in 2009/10.
- 39 During 2008/09 the Force re-organised the number of Safer Neighbourhood Teams (SNTs), reducing in number from 47 to 30 after taking account of community feedback. SNTs have a key role in the delivery of the National Policing Pledge, which sets a standard for all police forces to deliver to local people.
- 40 In October 2009, Her Majesty's Inspectorate of Constabulary's (HMIC) reported how well police forces in England and Wales were delivering the standards promised to the public. Suffolk Police Authority was assessed as 'poor', within the HMIC report on 'Delivering the Policing Pledge', although graded as fair across eight of the ten pledge points.
- 41 The Authority has already taken action to address the issues raised by developing an action plan, to be monitored every six months, in September 2009 on the initial findings.

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### Partnership working and collaboration

- 42 The Authority continues to enter into a series of partnerships with neighbouring Police Authorities for a range of services, including:
- the Eastern Region 6 Counties Collaboration Project;
  - a preferred partner' arrangement with Norfolk Police Authority; and
  - a partnership with Norfolk Police Authority for the construction of custody centres under a Private Finance Initiative (PFI), scheduled for completion in 2011/12.
- 43 To address the gap in capacity within Protective Services and achieve efficiency savings, from 1 April 2009 the following joint Protective Services Units have been delivered with Norfolk Police Authority:
- Major Crime – A joint Major Investigation Team went live on 1 April 2009 to investigate homicides and other major crimes across both Forces; and
  - a joint Norfolk/Suffolk Witness Protection Unit.
- 44 Although the planned collaboration for a joint Human Resources function did not proceed, further collaboration across several Protection Service areas in 2009/10 is progressing.
- 45 Governance arrangements exist to manage these collaborative partnerships and the PFI through joint committees and formal agreements. This remains a high risk area and Members need to continue to obtain assurance in respect of the governance, accountability and accounting risks associated with partnership initiatives.

### National fraud initiative

- 46 The National Fraud Initiative is a data matching exercise that compares sets of data to identify inconsistencies or other circumstances that might indicate fraud or error. It also helps auditors to assess the arrangements that audited bodies have put in place to deal with fraud.
- 47 The Authority and Force have appropriate arrangements in place to follow up referrals from the Audit Commission's National Fraud Initiative. Officers have found no evidence of fraud from the 2009 exercise, although some matches remain to be documented.

# Closing remarks

- 48 I have discussed and agreed this letter with the Chief Executive and the Treasurer. I will present this letter at the Monitoring and Audit Committee on 4 December 2009 and will provide copies to all Authority members.
- 49 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to Suffolk Police Authority during the year.

**Table 3**

Report	Date issued
Audit Plan	May 2008
Opinion Audit Plan	December 2008
Annual Governance Report (incorporating Use of Resources Report)	September 2009
Auditor's report giving an opinion on the financial statements and value for money conclusion	September 2009
Whole Government Accounts opinion	October 2009
Final accounts memorandum (to the Treasurer)	November 2009
Annual Audit Letter	November 2009

- 50 Members and officers have taken a positive and constructive approach to our audit. I wish to thank the Authority and Force staff for their support and co-operation during the audit.

Robert Davies  
 Senior Audit Manager/Engagement Lead  
 November 2009

# Appendix 1 – Use of resources key findings and conclusions

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

## Managing finances

<b>Theme score</b>	<b>2</b>
<b>Key findings and conclusions</b>	
<p>The Authority and Force continue to maintain spending within budget. The Medium Term Financial Strategy clearly identifies resource shortfalls of £2.5 million in both 2010/11 and 2011/12. The Authority and Force have reported efficiency savings in previous years and is seeking further efficiencies in view of medium term budget pressures. Significant risks arise from a widening financial gap in the medium term with an ongoing requirement to deliver efficiencies without detracting from the quality of policing. Effective action has been taken to improve knowledge of costs but, in some areas, from a weak base. However, There is a commitment to collaborative working but progress and outcomes are variable. Both the Authority and Force websites provide good accessibility and meet equalities legislation. Budget and performance outcomes are made available to the public and partners through a range of methods. An analysis of the Authority's and Force's environmental footprint is reported twice yearly showing progress in reducing energy, water and fuel consumption and CO2 emissions.</p> <p>Areas to improve include integrating fully both strategic and operational planning and completing the assessment of all policies and plans against equalities legislation. The Force should consider costing projects over their whole life whole consistently as part of the procurement process and integrating performance and cost data. The Force should also demonstrate that budget holders are aware of guidance and monitor and report systematically on the financial performance of significant partnerships.</p>	

**Governing the business**

<b>Theme score</b>	<b>2</b>
<b>Key findings and conclusions</b>	
<p>There is a clear three year strategic framework and vision for policing in Suffolk. A joint Authority and Force mission statement provided a focus for 2008/09 service development and resource allocation. The three year strategic plan complements other plans in particular the Local Area Agreement and the Community Plan for Suffolk. Outcomes from the introduction of the April 2008 e-procurement system include reduced stock-holding, enhanced control of all new suppliers and improved management data of high value purchases. Monthly audits are in place to ensure compliance with National Crime Recording Standard and also National Standard for Incident Recording. There is a robust challenge to performance in both the Authority and Force, through the newly established monthly Performance Delivery Board meetings. The arrangements for the discharge of functions are reviewed on a continuous basis. The Monitoring and Audit Committee has adopted the six core and supporting principles detailed in delivering good governance in local government. The Annual Governance Statement is robust. The Force surveyed staff in December to monitor staff confidence in whistle blowing arrangements. The Authority and Force have good and developing governance arrangements in place for its major collaborative projects. Risk management arrangements have been reviewed and improved over 2008/09. Policies and procedures are in place for dealing with allegations of breaches of professional standards including fraud and corruption. The 'Confidential Reporting' policy covers the range of potential breaches of professional standards, including fraud and corruption.</p> <p>Further work is required to demonstrate how public consultations have a direct impact on procurement and commissioning and to complete initiatives to improve equalities within procurement processes. The Force should review and record systematically data sharing initiatives with partnerships and to complete the testing of business continuity plans. The Force also needs to bring all Force risk registers up to date and co-ordinate the registers to ensure consistency, with financial and resource requirements recorded. The Force should also be undertaking a systematic review of how the outcomes specified in the Fraud and Corruption Policy are being delivered including arrangements with partner organisations.</p>	

## Appendix 1 – Use of resources key findings and conclusions

### Managing resources

<b>Theme score</b>	<b>2</b>
<b>Key findings and conclusions</b>	
<p>Comprehensive plans support workforce development, but investing in improvements in Human Resources (HR) management is at an early stage with limited outcomes. A costed HR plan, supporting the delivery of the three year policing strategy, is being delivered through a series of projects, includes key actions and targets and is monitored quarterly. The Force enhances staff capacity through a comprehensive training programme, identifying talented officers early on, developing both staff competencies and senior management capacity. However, management training is limited for new managers in part due to lack of resources. Training plans are comprehensive but lack outcome related targets. The Authority and Force are investing to improve equalities and deal with diversity issues but outcomes are variable. A Diversity Programme, Diversity Unit and Local Diversity Boards are in place. Diversity Champions exist for the six diversity strands and a Single Equality Scheme has been published. A diversity action plan is integrated into the HR plan, but outcomes are not clearly specified. Initiatives to increase Black Minority and Ethnic (BME) representation in the Force have not been successful and work remains for race and gender in terms of recruitment and promotion. The Authority and Force have taken positive action to address BME equalities issues in stop and search, but BME groups still indicate that their views are not being heard.</p> <p>Further work remains in a number of areas, including demonstrating how poor performance is being addressed, increasing HR capacity, increasing the effectiveness of training opportunities, integrating learning and development planning with strategic and business planning and improving progress against targets in respect of equalities legislation.</p>	

## Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Audit Letter 2008/09 Recommendations</b>						
5	R1 Review progress made to prepare for the 2010/11 financial statements in line with International Financial Reporting Standards.	3	Treasurer and Financial Services Manager (FSM)	Yes	Project team established. Project plan approved. Workshop attended. Estate revaluation meetings arranged.	Ongoing.
5	R2 Review the outcome of the Use of Resources assessment as reported in the Annual Governance Report and consider actions to take to address the areas for improvement.	3	Treasurer and Assistant Chief Officer (ACO)	Yes	Action plan being considered at Monitoring and Audit Committee meeting 4 December 2009.	4 December 2009
5	R3 Monitor the robustness of efficiency plans devised to minimise overspends and sustain levels of reserves.	3	Treasurer and ACO	Yes	Progress report covering current plans to Strategy Committee 18 December 2009.  Budget Monitoring Group consider regular reports including year-end forecast position.  Revised governance structure for assessment of future efficiency plans being established.	18 December 2009  Ongoing  Ongoing

## Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R4 Continue to obtain assurance in respect of the governance, accountability and accounting risks associated with partnership initiatives.	3	Chief Executive	Yes	<p>In regard to the joint PIC project, formal governance arrangements will be in place via the Second Joint Working Agreement (JWA 2).</p> <p>Other partnership initiatives are, and will continue to be, governed through the formal section 23 agreements, and Joint Statutory Committee (JSC) arrangements.</p> <p>A review of the significant governance issues raised within the Annual Governance Statement (AGS) for 2008/09 will be undertaken at the Monitoring and Audit Committee on 4 December 2009.</p>	<p>26 November 2009</p> <p>Ongoing</p> <p>4 December 2009</p>

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# 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.

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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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