



# POLICE AND CRIME COMMISSIONER FOR BEDFORDSHIRE / CHIEF CONSTABLE FOR BEDFORDSHIRE POLICE

Annual Audit Letter

Year ended 31 March 2019

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# EXECUTIVE SUMMARY

## Purpose of the Annual Audit Letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2019.

It is addressed to the Police and Crime Commissioner (“PCC”) and the Chief Constable (“CC”), but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

## Responsibilities of auditors and the PCC and CC

It is the responsibility of the PCC and CC to ensure that proper arrangements are in place for the conduct of business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office’s (NAO’s) Code of Audit Practice (the Code). Under the Code, we are required to report:

- Our opinion on the financial statements; and
- Whether the PCC and CC have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

Aphrodite Lefevre  
BDO LLP

31 August 2019

## Audit conclusions

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Audit area	Conclusion
Financial statements	Unmodified opinion
Use of resources	Unmodified conclusion

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We issued our audit opinion on the financial statements and use of resources conclusion on 31 July 2019; the date of the national deadline.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

# FINANCIAL STATEMENTS

## Audit opinion on the financial statements

We issued an unmodified audit opinion on the financial statements. This means that we consider that the financial statements:

- Give a true and fair view of the financial position and its income and expenditure for the year; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

## Final materiality

Final group materiality was determined based on 1.75% of the net pension fund liability. This being £21.842 million. The materiality figure was applied to the audit of the pension fund only.

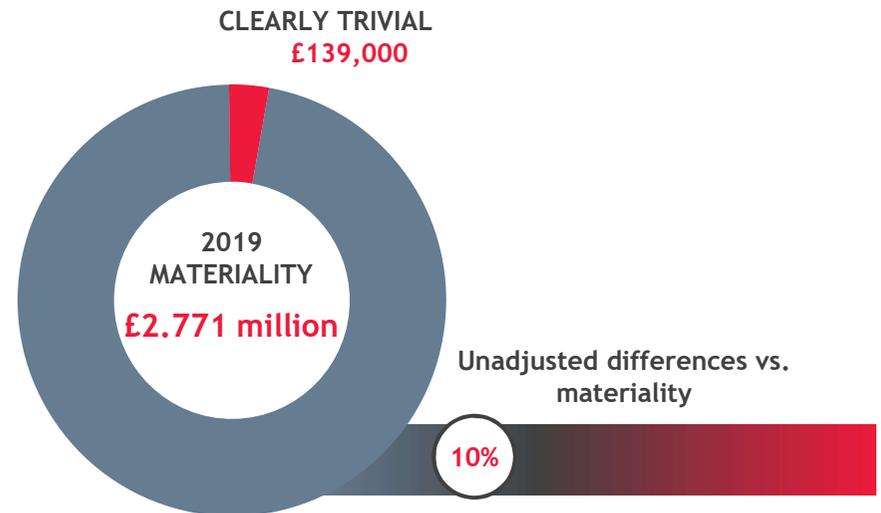
Specific materiality for income and expenditure and other balance sheet Items, was calculated at £2.771 million based on a benchmark of 1.75% of gross expenditure.

## Material misstatements

We identified one material misstatement in relation to the pension liability, being the treatment of additional costs associated with the 'McCloud' case.

## Unadjusted audit differences

We identified audit adjustments that, if posted, would decrease the net deficit on provision of services for the year by £281,000.



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# FINANCIAL STATEMENTS

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and the direction of the efforts of the audit team.

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Risk description	How the risk was addressed by our audit	Results
Management override of controls	<p>We carried out the following planned audit procedures:</p> <p>Reviewed and verified unusual journal entries made in the year and agreed the journals to supporting documentation;</p> <p>Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and</p> <p>Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.</p>	No issues were identified by our audit of journals and accounting estimates for management override of controls or management bias.

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# FINANCIAL STATEMENTS

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Risk description	How the risk was addressed by our audit	Results
Expenditure recognition	<p>We carried out the following planned audit procedures:</p> <p>Tested an increased sample of transactions to ensure that expenditure has been recorded in the correct period and that all expenditure that should have been recorded has been recorded;</p> <p>Traced an increased sample of items selected from the pre and post year-end bank statements to supporting documentation to confirm the completeness of the amounts recorded.</p>	<p>We identified a number of expenditure items, within our sample testing, that related to either the previous or the next financial year. In each case the transaction was under the Force's £5,000 de-minimus accrual level, and we are satisfied that this policy is appropriate for the size of the entity.</p> <p>However, when extrapolated over the whole population, the net projected error is £281,000 of additional expenditure recognised in the current year that should have been recorded in 2017/18.</p>

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# FINANCIAL STATEMENTS

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Risk description	How the risk was addressed by our audit	Results
Property, Plant and Equipment (PPE) Valuation	<p>We carried out the following planned audit procedures:</p> <p>Reviewed the instructions provided to the valuer as well as the valuer's skills and expertise in order to determine if we can rely on them as a management expert;</p> <p>Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;</p> <p>Reviewed the accuracy and completeness of asset information provided to the valuer such as rental agreements and floor sizes; and</p> <p>Confirmed that the valuation movements are consistent with the expectations provided by independent data about the property market.</p>	No issues were identified by our audit of PPE valuations, or our consideration of the valuer's expertise.

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# FINANCIAL STATEMENTS

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Risk description	How the risk was addressed by our audit	Results
Pension Liability Valuation	<p>We carried out the following planned audit procedures:</p> <p>Reviewed and considered the expert’s skills and expertise to ensure we are able to rely on them (the actuary);</p> <p>Agreed the disclosures in the accounts to the information provided by the pension fund actuary;</p> <p>Obtained assurance over the controls for providing complete and accurate data to the actuary;</p> <p>Contacted the administering authority of the Local Government Pension Scheme and requested confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data; and</p> <p>Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.</p>	<p>We found that no additional liability had been recognised in relation to the ‘McCloud’ age discrimination case which affects all LGPS, Police and Fire Schemes. The Force requested additional costs to be calculated by their actuaries.</p> <p>In LGPS the impact on the accounts was an increased liability and past service cost of £689,000.</p> <p>In the Police Pension Scheme, the overall impact was an increase of £50.660 million in the liability and in past service costs.</p> <p>The auditors of the Local Government Pension Scheme (“LGPS”) administering authority also found that the data submitted by the LGPS fund to the actuary in February, in relation to the whole funds asset values, was £36 million lower than the actual figures at the end of March. Bedfordshire has a 6.45% share of the assets of the fund, and this means that the net liability in Bedfordshire's accounts is overstated by £2.327 million.</p>

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# FINANCIAL STATEMENTS

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Risk description	How the risk was addressed by our audit	Results
Collaboration Transactions	<p>We carried out the following planned audit procedures:</p> <p>Tested an increased sample of expenditure transactions which have been allocated between the bodies within the Bedfordshire, Cambridgeshire, Hertfordshire Collaborated Units (BCH) or Eastern Region Special Operations Unit (ERSOU) collaborations and confirm that all have been allocated to the correct body, on the correct basis; and</p> <p>Tested an increased sample of transactions from within the year-end debtor and creditor balances, ensuring that they have been correctly classified as debtors and/or creditors.</p>	No issues were identified by our audit of the year end collaboration balances in the accounts.

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# USE OF RESOURCES

## Audit conclusion on use of resources

We issued an unmodified conclusion on the Force's arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we consider that in all significant respects, the PCC and CC had proper arrangements to ensure they took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We set out below the risks that had the greatest effect on our audit strategy.

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Risk description	How the risk was addressed by our audit	Results
Sustainable Resource Deployment	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none"><li>Reviewed assumptions used in the Medium Term Financial Strategy to assess their reasonableness;</li><li>Considered delivery of the budgeted savings in 2018/19 and the plans to deliver the identified savings for 2019/20; and</li><li>Considered the current level of reserves and the planned use of reserves in the medium term.</li></ul>	<p>The annual budget contains an updated Medium Term Financial Strategy covering the period 2019/20 to 2022/23. A balanced position is forecast until 2022/23, when a budget gap of £536,000 is expected. Significant savings will be required to meet this forecast and increasing use of the budget reserve is planned in order to maintain the balanced budget.</p> <p>Whilst we acknowledge that over the medium term there is a risk that the plan for a balanced budget may not be achieved, we are satisfied that the assumptions used in the plans, and the savings required for the next two years, are reasonable and have been founded on evidence obtained from the work undertaken in an external Priority Based Budgeting review. The Force has a level of reserves that will support any unexpected deviations from this plan for at least the next financial year.</p>

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## REPORTS ISSUED AND FEES

### Fees summary

	2018/19 Final £	2018/19 Planned £
Audit fee - PSAA scale fee		
• Police and Crime Commissioner for Bedfordshire	22,554	22,554
• The Chief Constable for Bedfordshire Police	11,550	11,550
Total Audit Fees	34,104	34,104
Fees for other non-audit services	-	-
<b>Total fees</b>	<b>34,104</b>	<b>34,104</b>

### Communication

Reports	Date	To whom
Audit plan	March 2019	Audit Committee
Materiality Update	June 2019	Audit Committee
Audit completion report	July 2019	Audit Committee



FOR MORE INFORMATION:

Aphrodite Lefevre

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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