



Report to the Joint Audit Committee

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

Audit Completion Report: Year ended 31 March 2019

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CONTENTS

1	Introduction	3			
	Welcome	3			
2	Executive summary	4			
	Overview	4			
	The numbers	5			
	Other matters	6			
3	Financial statements	7			
	Audit risks overview	7			
	Management override of controls	8			
	Expenditure recognition	9			
	Property, Plant and Equipment (PPE) Valuation	10			
	Property, Plant and Equipment (PPE) Valuation	11			
	Property, Plant and Equipment (PPE) Valuation	12			
	Pension Liability Valuation	13			
	Pension Liability Valuation	14			
	Pension Liability Valuation	15			
	Pension Liability Valuation	16			
	Collaboration Transactions	17			
	Related Party Transactions	18			
	Other matters	19			
	Matters requiring additional consideration	20			
4	Audit differences	21			
	Unadjusted audit differences: summary	21			
	Unadjusted audit differences: detail	22			
	Adjusted audit differences: summary	23			
	Adjusted audit differences: detail	24			
5	Other reporting matters	25			
	Reporting on other information	25			
	Whole of Government Accounts	26			
6	Use of resources	27			
	Overview	27			
	Sustainable Resource Deployment	28			
	Sustainable Resource Deployment	29			
7	Control environment	30			
	Control deficiencies	30			
8	Audit report	31			
	Overview	31			
9	Independence and fees	32			
	Independence	32			
	Fees	33			
10	Appendices contents	34			

WELCOME

Introduction

Contents

Introduction

Welcome

Executive summary

Financial statements

Audit differences

Other reporting matters

Use of resources

Control environment

Audit report

Independence and fees

Appendices contents

We have pleasure in presenting our Audit Completion Report to the Joint Audit Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2019, specific audit findings and areas requiring further discussion and/or the attention of the Joint Audit Committee. At the completion stage of the audit it is essential that we engage with the Audit Committee on the results of our audit of the Group and the single entity financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

If you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Police Force for the co-operation and assistance provided during the audit.



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31 July 2019



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the Group and the single entity financial statements and use of resources. This report has been prepared solely for the use of the Joint Audit Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

This summary provides an overview of the audit matters that we believe are important to the Joint Audit Committee in reviewing the results of the audit of the financial statements and use of resources of the Group for the year ended 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

Our audit work is complete and we have issued our opinion on the Group's financial statements and the Force's use of resources for the year ended 31 March 2019 in line with the agreed timetable.

There were changes to the planned audit approach since the Planning report was issued at the March meeting. An additional audit risk was identified in respect of related parties. Additionally, the basis of our materiality was changed and this was communicated in June.

No restrictions were placed on our work.

Audit report

We have issued an unmodified audit opinion on the on the consolidated Group financial statements, the financial statements of the Police and Crime Commissioner (PCC) and the Chief Constable's (CC) financial statements

We have issued an unmodified audit opinion on the use of resources.

THE NUMBERS

Executive summary

- Contents
- Introduction
- Executive summary**
- Overview
- The numbers
- Other matters
- Financial statements
- Audit differences
- Other reporting matters
- Use of resources
- Control environment
- Audit report
- Independence and fees
- Appendices contents

Final materiality

Group final materiality was determined based on the net pension fund liability. This is a change from the basis reported in our Audit Plan.

The materiality figure was applied to the audit of the pension fund only. Specific materiality for income and expenditure and other balance sheet items are still based on 1.75% of net cost of services expenditure.

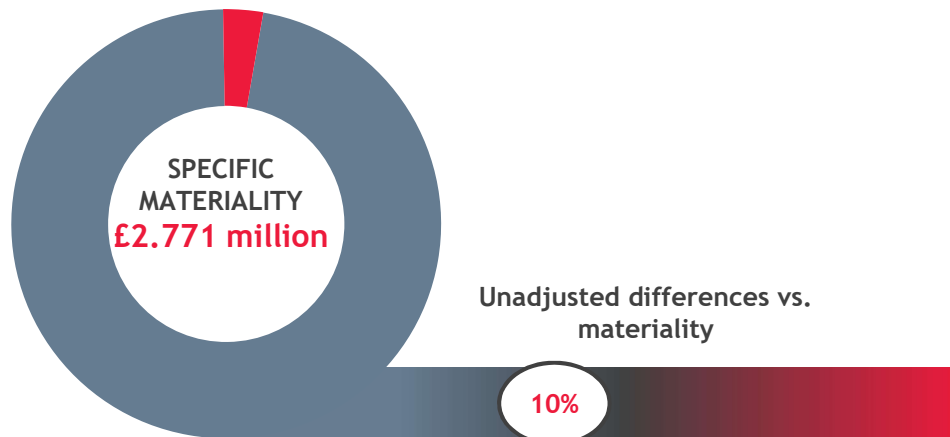
Material misstatements

We identified one material misstatement in relation to pensions, being the treatment of the McCloud case, further details of this are included in page 16.

Unadjusted audit differences

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

INCOME AND EXPENDITURE
- CLEARLY TRIVIAL
£139,000



OTHER MATTERS

Executive summary

Contents

Introduction

Executive summary

Overview

The numbers

Other matters

Financial statements

Audit differences

Other reporting matters

Use of resources

Control environment

Audit report

Independence and fees

Appendices contents

Financial reporting

- We have not identified any non-compliance with group accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- The Narrative Report is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- The Group is below the audit threshold of £500 million for a full assurance review of the Whole of Government Accounts Data Collection Tool.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Group and the CC and PCC in accordance with the Financial Reporting Council's Ethical Standard.



AUDIT RISKS OVERVIEW

As identified in our Audit Plan dated 14 March 2019 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. We have subsequently included a further risk relating to Related Parties. These include those risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Estimates or Judgement	Use of Experts Required	Error Identified	Significant Control Findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Expenditure recognition	Significant	No	No	Yes, unadjusted	No	No
Property, Plant and Equipment (PPE) Valuation	Significant	Yes	Yes	No	No	Yes
Pension liability Valuation	Significant	Yes	Yes	Yes, adjusted and unadjusted	No	Yes
Collaboration Transactions	Significant	No	No	No	No	No
Related Parties	Normal	No	No	Yes, adjusted	No	Yes

 Areas requiring your attention

- Contents
- Introduction
- Executive summary
- Financial statements**
- Audit risks overview
- Management override of controls
- Expenditure recognition
- Property, Plant and Equipment (PPE) Valuation
- Property, Plant and Equipment (PPE) Valuation
- Property, Plant and Equipment (PPE) Valuation
- Pension Liability Valuation
- Pension Liability Valuation
- Pension Liability Valuation
- Pension Liability Valuation
- Collaboration Transactions
- Related Party Transactions
- Other matters
- Matters requiring additional consideration
- Audit differences
- Other reporting matters
- Use of resources
- Control environment
- Audit report
- Independence and fees
- Appendices contents

MANAGEMENT OVERRIDE OF CONTROLS

ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

Risk description

The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.

Under auditing standards there is a presumed significant risk of management override of the system of internal controls.

Work performed

We carried out the following planned audit procedures:

- Reviewed and verified unusual journal entries made in the year, agreeing the journals to supporting documentation. We identified journals with risk characteristics we determined to be key. We used our Data Analytics team to assist with the journal extraction;
- Performed a critical review of the consolidation and, in particular, looked for any manual or late journals posted at consolidated level;
- Performed a review of estimates and judgements applied by Management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

Our audit work on journals is complete and we did not identify any issues within the sample chosen for testing.

Our work performed on estimates and judgements applied by management did not identify any issues. However we requested that management make some narrative changes to the Critical Judgements and Estimation Uncertainty note.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Expenditure recognition
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Collaboration Transactions
Related Party Transactions
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

EXPENDITURE RECOGNITION

Under auditing standards there is a presumption that income recognition presents a fraud risk. In the public sector this extends to expenditure recognition.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

Under auditing standards there is a presumption that income recognition presents a fraud risk.

Due to the nature of the income streams, and the likelihood of error being considered low, the risk of fraudulent revenue recognition has been rebutted.

In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 issued by the Financial Reporting Council. This states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. This risk is identified as being relevant to cut-off of expenditure, where our testing will be focussed.

Work performed

We carried out the following planned audit procedures:

- 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; and
- 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.

Results

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.

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. This figure, whilst over trivial, confirms that the accounting policy is appropriate and has not caused any material issues in the accounts. This has been recorded in the schedule of unadjusted misstatements on page 22.

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Expenditure recognition
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Collaboration Transactions
Related Party Transactions
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PROPERTY, PLANT AND EQUIPMENT (PPE) VALUATION

There is a risk over the valuation of land and buildings where valuations are based on significant assumptions.

Risk description

Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the current value or fair value (as applicable) at the balance sheet date.

The CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (“The Code”) requires management to carry out a full valuation of its land and buildings on a periodic basis (at least every 5 years). In the intervening years, management is required to assess whether there has been a material change in the value of its assets that should be accounted for.

The Force uses an external valuer to perform the valuation assessment.

We concluded that there is a significant risk of material misstatement of asset values.

Work performed

We carried out the following planned audit procedures:

- 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;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed the accuracy and completeness of asset information provided to the valuer such as rental agreements and floor sizes;
- Confirmed that the valuation movements are consistent with the expectations provided by independent data about the property market; and

Results

Our review of the instructions provided to the valuer and our consideration of the valuer’s skills and expertise did not identify any issues.

We confirmed the basis of valuation for assets valued in year is appropriate and in line with Code.

We reviewed the judgements used in the calculations and our results are presented below.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Expenditure recognition
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Collaboration Transactions
Related Party Transactions
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PROPERTY, PLANT AND EQUIPMENT (PPE) VALUATION

Continued

Assets Valued at Depreciated Replacement Cost (DRC)

Overview

The majority of assets have been valued using DRC. This is because the properties are police stations that have a range of specialised facilities including gyms, custody suites, firing ranges and decked carparks. Accordingly the valuers have classified this group of buildings as specialised and adopted the DRC approach in their valuation.

The DRC method values the current cost of replacing an asset with its modern equivalent, less deductions for any physical deterioration.

The key judgements used in these valuations are BCIS average building costs, BCIS location factors and the expected remaining useful life of the asset.

Discussion

- We have compared valuation movements in the year to comparative market data and are satisfied, that overall, the valuations are reasonable.
- We noted that the valuer has used the forecast BCIS index as at the date the valuations were undertaken. More recent data, as at 31st March, suggest that the valuations of the two largest assets could be understated by £236,000. The impact on all other assets is expected to be trivial. We are satisfied that the valuations are based on the most appropriate evidence available at the time of valuation and that the potential difference is immaterial.
- We have reviewed the other judgements made by the valuer and are satisfied that these are reasonable.
- We have reviewed the floorplans for these assets and are satisfied that these agree to the floor areas used in the valuer's calculations.

Impact

< lower valuation

Higher valuation >



Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Expenditure recognition
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Collaboration Transactions
Related Party Transactions
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PROPERTY, PLANT AND EQUIPMENT (PPE) VALUATION

Continued

Assets Valued using Market Value

Overview

Non-operational surplus assets and an investment property have been valued at Market value. Land has also been valued on this basis.

The valuer has used comparative data to inform the market valuation.

One asset has been valued based on future alternative use.

Discussion

- The valuers have used a number of comparative data sources to estimate a suitable market value for each asset. We have reviewed the comparative data made available to us and are satisfied that the valuations are reasonable, based on this information.
- Overall, the valuation movements are in line with market trends.
- We have reviewed the floorplans for these assets and are satisfied that these agree to the floor areas used in the valuer's calculations.

Impact

< lower valuation

Higher valuation >



Assets Valued at Existing Use Value (EUV)

Overview

Two assets have been valued using EUV. Per the Code definition, we consider it appropriate for assets for which there is an alternative use to be valued using EUV. These assets consist primarily of office space with no specialised features there are no areas that would prevent a potential customer from renting out the space.

The key judgements used in these valuations are anticipated rent, should the property be rented out and the rental yield.

Discussion

- The valuers have used a number of comparative data sources to estimate a suitable rental value for each property. We have reviewed this comparative data and are satisfied that the valuations are reasonable, based on this information.
- Overall, the valuation movements are in line with market trends.
- The valuer has used a yield percentage for both assets, that is in line with our expectation for office spaces in the area.
- We have reviewed the floorplans for these assets and are satisfied that these agree to the floor areas used in the valuer's calculations.

Impact

< lower valuation

Higher valuation >



Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Expenditure recognition
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Collaboration Transactions
Related Party Transactions
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PENSION LIABILITY VALUATION

There is a risk the membership data and cash flows used by the actuary may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

The net pension liability comprises the Force's estimated future liability to pay pensions.

An actuarial estimate of the pension fund liability is calculated by independent actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around other factors, such as inflation, when calculating the liability.

There is a risk that the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.

Work performed

We carried out the following planned audit procedures:

- Reviewed and considered the expert's skills and expertise to ensure we are able to rely on them (the actuary);
- Agreed the disclosures in the accounts to the information provided by the pension fund actuary;
- Obtained assurance over the controls for providing complete and accurate data to the actuary;
- 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
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.

Results

Our review of the skills and expertise of the actuary did not identify any issues. The consulting actuary commissioned for local public auditors by the NAO has reviewed the work of both the Police pension scheme actuary and the Local Government Pension Scheme actuary and are satisfied that the approaches taken by both are reasonable.

We obtained confirmation from the auditors of the administering authority of the LGPS that adequate controls are in place, and details of the results of their testing.

The auditors noted that the data submitted by the 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. Management was not provided with the information necessary to update this figure in the draft accounts, as such we have reported an unadjusted error.

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Expenditure recognition
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Collaboration Transactions
Related Party Transactions
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PENSION LIABILITY VALUATION

Continued

Group pension liabilities (Police Pension Fund)

We have compared the key financial and demographic assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

Assumptions

	Actual Used	Expected	Comments
Financial			
Rate of increase in Salaries	4.35%	3.10% - 4.35% but scheme and employer specific	Reasonable
Rate of increase in pensions in payment	2.35%	2.10% - 2.60%	Reasonable
Discount rate (nominal)	2.45%	2.35% - 2.90%	Reasonable
CPI Inflation	2.35%	2.10% - 2.60%	Reasonable
CARE revaluation rate	3.60%	CPI + 1.25%	Reasonable
Mortality			
Normal health pensioners	104% of S2NXA Population actual then ONS 2016 based principal population projection	104% - 117% S2NA Population actual then 2016 based on ONS projection	Reasonable
Mortality improvements			Reasonable
Life Expectancies			
65 year old current normal health pensioner			
	Males	Females	
Actual Used	22.7	24.3	
Expected Range	20.6 - 23.7	20.0 - 26.4	
Comments	Reasonable	Reasonable	
45 year old future normal health pensioner at 65			
	Males	Females	
Actual Used	24.6	26.2	
Expected Range	22.2 - 26.3	22.6 - 29.0	
Comments	Reasonable	Reasonable	

We consider that the assumptions and methodology used by the Pension Fund actuary are appropriate, and will result in an estimate of the net pension liability which falls within a reasonable range.

We note that the consulting actuary has stated that the assumptions used by GAD tend to produce slightly higher Police & Fire liability calculations than the other actuaries, and the relative liability compared to assumptions used by others could result in a liability being 103.4% of the average liabilities of all actuaries.

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Expenditure recognition
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Collaboration Transactions
Related Party Transactions
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PENSION LIABILITY VALUATION

Continued

Group pension liabilities (LGPS)

We have compared the key financial and demographic assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	Actual Used	Expected	Comments
<u>Financial</u>			
Discount Rate	2.40%	2.35% - 2.90%	Reasonable
Pension Increase	2.40%	2.10% - 2.60%	Reasonable
Salary Increase	2.70%	3.10% - 4.35% but scheme and employer specific	Reasonable
CPI Inflation	2.40%	2.10% - 2.60%	Reasonable
<u>Mortality</u>			
Mortality improvements	CMI 2018	CMI 2018	Reasonable
<u>Life Expectancies</u>			
<u>Retiring Today</u>			
	Males	Females	
Actual Used	20.7	23.2	
Expected Range	20.6 - 23.7	20.0 - 26.4	
Comments	Reasonable	Reasonable	
<u>Retiring in 20 years</u>			
	Males	Females	
Actual Used	21.7	24.7	
Expected Range	22.2 - 26.3	22.6 - 29.0	
Comments	We are satisfied that the impact of this difference would not have a material effect on the accounts		

We consider that the assumptions and methodology used by the Pension Fund actuary are appropriate, and will result in an estimate of the net pension liability which falls within a reasonable range.

We note that the consulting actuary has stated that the assumptions used by Barnett Waddingham tend to produce slightly lower LGPS liability calculations than the other actuaries, and the relative liability compared to assumptions used by others could result in a liability being 98.2% of the average liabilities of all actuaries.

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Expenditure recognition
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Collaboration Transactions
Related Party Transactions
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PENSION LIABILITY VALUATION

Continued

GMP Equalisation

Following a ruling on gender discrimination in the Lloyds Banking Group case, the courts found that UK defined benefit schemes must equalise Guaranteed Minimum Pensions (GMP). The Government's interim solution, originally in place from 2016 to 2018 to ensure a smooth transition to equalisation, has been extended to 2021 and it is not yet clear whether the LGPS (through employers) or Government will fund these additional costs after 2021.

An LGPS wide assessment of additional liabilities arising from GMP equalisation for the interim solution between 2016 to 2018, the extension from 2018 to 2021, and potential post 2021 costs falling on the LGPS could increase liabilities by +0.3%.

The consulting actuary has confirmed that Barnet Waddingham have previously allowed for the impact, assuming the governments 'interim solution' applied indefinitely. Barnet Waddingham have not changed the assumption this year and as such an allowance has been recognised in the LGPS liability figure.

The consulting actuary has confirmed that GAD have allowed for the full impact of indexation changes (i.e. indexation until 2021) in the 2017/18 Police and Fire liabilities as a past service cost. As such it is not necessary to recognise an impact in the Police Pension liability this year.

We requested that the approaches taken by the actuary are disclosed in the accounts.

McCloud Age Discrimination

Following the ruling on age discrimination in the McCloud case, where members approaching retirement age received protected benefits moving to the career average relevant earnings scheme from the final salary scheme but employees more than 10 years from retirement did not received this underpin of benefits, Government will have to remedy the discrimination in the LGPS and in Police and Fire Schemes.

In LGPS

The Government Actuary Department has undertaken an LGPS-wide impact assessment and a worse case scenario suggests that the liability could increase by up to 3.2% for active members where the remedy would be for all staff to receive the underpin, and using a model with an average member age of 46 and salaries increasing at +1.5% above CPI.

The Force has received an updated valuation of the liability to take account of the impact of this ruling. The impact on the Chief Constable's accounts has been increased liabilities and past service costs of £689,000. The accounts will be adjusted for this difference. The impact on the Police and Crime Commissioner's accounts is expected to be trivial, therefore management did not commission a second report.

In Police

For the Police scheme, GAD have provided potential impact figures of 4.4% of total liabilities across police Forces. Management requested and received a revised IAS19 report to include the impact of this in the accounts. The overall impact was an increase of £50.660 million in the liability and in past service costs.

GAD have highlighted the sensitivity of the potential McCloud impact to the age profile of membership, therefore we requested that management further communicate with GAD to ensure that the revised figures were appropriate for the Bedfordshire membership profile. The actuary responded with the information required and we are satisfied that any further localised estimates would not lead to a material difference from the revised numbers.

We have requested that additional narrative is added to the accounts to explain the estimates involved in the McCloud allowance and the potential sensitivities in this calculation.

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Expenditure recognition
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Collaboration Transactions
Related Party Transactions
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

COLLABORATION TRANSACTIONS

There is a risk the membership data and cash flows used by the actuary may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings
Letter of Representation point

Risk description

The Force regularly incurs expenditure on behalf of the other forces in the collaborations, and vice versa. This expenditure is recharged between the Forces.

We consider there to be a risk that misstatements could occur in relation to the calculation of year-end debtors and accruals, and the appropriate basis of allocation being applied between the Forces.

Work performed

We carried out the following planned audit procedures:

- 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
- 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.

Results

We obtained the year end apportionment workings for both BCH and ERSOU that are prepared outside of the Force by the respective dedicated teams and checked the accuracy of the calculations. The majority of collaborated areas are apportioned to Forces based on the Net Revenue Expenditure in each. This allocation is appropriate and in line with the method prescribed in the Section 22 agreements.

We found no issues in our expenditure sample testing. This sample was taken from the population of collaborated expenditure recorded in Bedfordshire's ledger before the recharges to other Forces take place.

We ensured that the final amount recognised as expenditure in Bedfordshire's accounts, agreed to the share of total expenditure that it was due to recognise from the allocation exercise.

We tested the debtor and creditor balances recognised in the accounts back to the apportionment workings and confirmed that they had been recognised correctly.

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Expenditure recognition
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Collaboration Transactions
Related Party Transactions
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

RELATED PARTY TRANSACTIONS

There is a risk that related party disclosures are not complete and accurate.

Risk description

Whilst management are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit Committee.

There is a risk that related party disclosures are not complete or accurate.

Work performed

We carried out the following planned audit procedures:

- Performed our own searches of the senior management on Companies House in order to identify any related parties not included in the Statement of Accounts.
- For any additional related parties identified we performed searches in the ledger to identify transactions.
- For related parties already identified ensured that the relationship and figures disclosed matched those included in the ledger.

Results

Related parties should be considered not only in relation to the materiality levels set for the audit but also those set by the police and their counter-parties. We identified one related party where transactions had not been disclosed in the accounts due to it being immaterial to the Force. The level of transactions, however, are likely to be material to the counter party so we have requested this be disclosed. In accordance with the code, materiality must be considered from the point of view of both parties to the transaction.

We also requested that management include a disclosure in the Chief Constables accounts regarding the group relationship with the Police and Crime Commissioner. Adequate disclosures have already been made in the Group accounts.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Expenditure recognition
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Collaboration Transactions
Related Party Transactions
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
<p>There were some minor changes in the CIPFA code that required a change in the presentation of the accounts from the prior year. We noted that these updates had not been made in all of the relevant disclosure notes.</p>	<p>We have requested that management re-present the particular notes in the accounts that were affected by the changes in the Code this year. These disclosure changes have been agreed.</p>
<p>We identified errors in our debtors testing where debtor amounts that should be recognised in the Police and Crime Commissioner accounts were incorrectly included in the Chief Constable accounts.</p>	<p>We have requested that management correct the errors found and review the remaining items on the debtor listing to ensure no other errors of this nature exist. The review was documented and provided to us, and we are satisfied that no other errors of this nature remain.</p>
<p>As part of our testing we queried the appropriateness of the asset classified as held for sale. Management made the decision that the asset should in fact be classified as a surplus asset.</p>	<p>We are satisfied that the asset is appropriately classified as surplus as the conditions for recognising a Held for Sale asset have not been met.</p>
<p>A number of other narrative and disclosure changes were Identified. In particular, we have asked that management consider removing immaterial notes and accounting policies.</p>	<p>We have identified a number of minor narrative amendments. We requested that management make all of these changes and most have been agreed. We still believe that there is scope to improve the layout of the accounts and reduce the length of the accounts.</p>

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Expenditure recognition
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Property, Plant and Equipment (PPE) Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Pension Liability Valuation
Collaboration Transactions
Related Party Transactions
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud.

Our audit procedures did not identify any fraud.

We seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Plan.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities. We are awaiting managements response.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Force's internal audit function to assist our risk scoping at the planning stage.



Contents

Introduction

Executive summary

Financial statements

Audit risks overview

Management override of controls

Expenditure recognition

Property, Plant and Equipment (PPE) Valuation

Property, Plant and Equipment (PPE) Valuation

Property, Plant and Equipment (PPE) Valuation

Pension Liability Valuation

Pension Liability Valuation

Pension Liability Valuation

Pension Liability Valuation

Collaboration Transactions

Related Party Transactions

Other matters

Matters requiring additional consideration

Audit differences

Other reporting matters

Use of resources

Control environment

Audit report

Independence and fees

Appendices contents

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Adjusted audit differences: summary
Adjusted audit differences: detail
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents



We are required to bring to your attention unadjusted differences and we request that you correct them.

There were two unadjusted audit differences identified by our audit work which would decrease the deficit on the provision of services by £281,000 if adjusted.

Management consider the differences to be immaterial in the context of the financial statements as a whole.

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Statement of Financial Position	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences					
Group deficit on the provision of services before unadjusted audit differences	84,049				
1: Projected Error: Chief Constable expenditure recognised in current year but relating to prior years.					
DR Opening General Reserves				281	
CR Expenditure			(281)		
2: Error in Bedfordshire's share of assets, due to changes in asset valuations used by the actuary in the LGPS pension fund					
DR LGPS Net Pension Liability				2,327	
CR Pension Reserve					(2,327)
Total unadjusted audit differences		-	(281)	2,608	(2,327)
Deficit on the provision of services after differences	83,768				

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Adjusted audit differences: summary
Adjusted audit differences: detail
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year



There were four audit differences identified by our audit work that were adjusted by management. The overall impact is to increase the group deficit on the provision of services by £51.349 million.

This is primarily the impact of recognising the addition pension fund liability from the McCloud judgement.

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Adjusted audit differences: summary
Adjusted audit differences: detail
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Statement of Financial Position	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Adjusted audit differences					
Group deficit on the provision of services before adjustments	32,700				
1: Factual Error: PCC debtors incorrectly recognised in CC accounts					
DR Police and Crime Commissioner Debtors				650	
CR Chief Constable Debtors					(650)
2: Reclassification of Greyfriars property from Held for Sale to Surplus assets					
DR Surplus Assets				1,600	
CR Assets Held for Sale					(1,600)
3: Recognition of McCloud additional Police Pension Liability					
DR Past Service Cost		50,660			
CR Pension Liability					(50,660)
4: Recognition of McCloud additional LGPS Liability in the Chief Constable accounts					
DR Past Service Cost		689			
CR Pension Liability					(689)
Total adjusted audit differences		51,349	-	2,250	(53,599)
Adjusted deficit on the provision of services	84,049				

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Adjusted audit differences: summary
Adjusted audit differences: detail
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

REPORTING ON OTHER INFORMATION

- Contents
- Introduction
- Executive summary
- Financial statements
- Audit differences
- Other reporting matters**
- Reporting on other information
- Whole of Government Accounts
- Use of resources
- Control environment
- Audit report
- Independence and fees
- Appendices contents

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Narrative Report is consistent with the financial statements and our knowledge
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the review of effectiveness and our knowledge of the Group.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

WHOLE OF GOVERNMENT ACCOUNTS

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Reporting on other information
Whole of Government Accounts
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Matter	Comment
Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure. The Group falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.	<p>Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 28 June 2019. The Group did not meet this deadline and the return has not yet been submitted.</p> <p>We are planning to submit the relevant section of the assurance statement to the National Audit Office before 31 August 2019.</p>

OVERVIEW

- Contents
- Introduction
- Executive summary
- Financial statements
- Audit differences
- Other reporting matters
- Use of resources**
- Overview
- Sustainable Resource Deployment
- Sustainable Resource Deployment
- Control environment
- Audit report
- Independence and fees
- Appendices contents

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

As identified in our Audit Plan we assessed the following matters as being the most significant risks regarding use of resources.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Sustainable Resource Deployment	Sustainable resource deployment	Significant	No

SUSTAINABLE RESOURCE DEPLOYMENT

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Overview
Sustainable Resource Deployment
Sustainable Resource Deployment
Control environment
Audit report
Independence and fees
Appendices contents

The Force will need to deliver significant savings to maintain balanced budgets.	
Significant risk	
Normal risk	
Sustainable resource deployment	
Informed decision making	
Working with partners and other third parties	
Significant control findings	

Risk description

In 2017/18, the Force reported an overspend of £2.8 million against budget and faces increasing financial challenge in the medium term. Reserves are likely to be utilised going forward and increased savings are required to be made, whilst the demand for services increases.

We have therefore concluded that there is a significant risk related to the financial resilience of the Force and a need to undertake further work to satisfy ourselves that the proper arrangements are in place, given the financial challenges, to enable the Force to deploy resources in a sustainable manner.

Work performed

We carried out the following planned audit procedures:

- Reviewed assumptions used in the Medium Term Financial Strategy to assess their reasonableness;
- Considered delivery of the budgeted savings in 2018/19 and the plans to deliver the identified savings for 2019/20; and
- Considered the current level of reserves and the planned use of reserves in the medium term.

Results

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.

The Medium Term Plan is founded on the assumptions that whilst central funding will remain at standstill position, an additional £1.1m police pension grant will be received each year. It is not yet confirmed if, after 2019/20, this will be a recurring grant. Council tax funding increases have also been incorporated into the plan, assuming that the Police and Crime Commissioner will increase tax by the maximum allowed and that increases would be capped at 2% from 2020/21 onwards.

SUSTAINABLE RESOURCE DEPLOYMENT

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Overview
Sustainable Resource Deployment
Sustainable Resource Deployment
Control environment
Audit report
Independence and fees
Appendices contents

The Force will need to deliver significant savings to maintain balanced budgets.

Significant risk
Normal risk
Sustainable resource deployment
Informed decision making
Working with partners and other third parties
Significant control findings

Results continued

The revenue budget was set at £105.226 million for 2018/19. This year the Force recognised an underspend of £419,000. This underspend was appropriately put into the budget reserve and will help to smooth the impact of any overspends in future years. However, we note that this overspend was only achieved due to the award of a Special Grant totalling £4.464 million. It is therefore clear, that in the absence of this additional funding, the Force would have significantly overspent and would have had to draw on a level of reserves that would have eliminated most of the protection available for future years.

The Force has set a minimum prudent General Reserve level of £3 million. In addition to this fund, the usable Budget Reserve balance stands at £2.172 million at 31st March 2019. Even if the planned savings are achieved the budget reserve level is expected to be fully depleted by 2022/23 as there are no further plans in the medium term plan to replenish reserves. We appreciate management’s view that it is not considered appropriate to hold excessive levels of reserves however this steady reduction in reserves is unsustainable over the medium term.

The savings required in the Medium Term Plan are supported by the results of the Priority Based Budget Review over the next 2 years. The savings included in the plan for 2021/22 and 2022/23 are not identified and will need to be found in a further round of PBB. This exercise helps to ensure that management has recognised and challenged the current financial position and is using external assistance to effectively identify viable ways to mitigate current pressures and seek efficiencies.

We noted during our discussions with management that the savings identified and included in the Medium Term Plans are not specifically monitored or tracked. Once savings are identified they are removed from budgets and monitored through the normal outturn process. However, specific savings outcomes are not necessarily identifiable within the overall cost centre position and there are no monitors against the specific savings targets set. It is necessary for the Force to monitor savings in order to identify how robust and accurate financial planning has been.

Whilst we acknowledge that over the medium term there is still 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 the PBB review. The Force has a level of reserves that will support any unexpected deviations from this plan for at least the next financial year.

CONTROL DEFICIENCIES

- Contents
- Introduction
- Executive summary
- Financial statements
- Audit differences
- Other reporting matters
- Use of resources
- Control environment**
- Control deficiencies
- Audit report
- Independence and fees
- Appendices contents

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Joint Audit Committee.

We did not identify any significant deficiencies during the course of the audit, we have however included below other control deficiencies we have identified.

As the purpose of the audit is for us to express an opinion on the Group and the individual entities' financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation & implication	Recommendation	Management response
Other deficiency	Management does not keep a savings tracker to monitor delivery against specific savings plans. Savings are instead, removed from budgets, and then considered in the context of the overall cost centre outturn.	We recommend that the savings identified in the budget and Medium Term Plans are monitored separately, to enable management to assess how accurate its savings targets were.	A savings tracker for the savings identified through the Priority Based Budgeting work is going to be done by the Continuous Improvement Team and the remaining savings are straight forward to identify and therefore a savings tracker for those can be introduced separately if required.
Other deficiency	No calculation is performed to identify the actual hours of pay that should be provided for in the accumulated absences accrual. The calculation has been adjusted based on change in head count for a number of years.	We recommend that HR reports are used at the end of the year to identify the number of hours that staff have untaken in annual leave, TOIL etc. at the year end. These figures should be the basis of the calculation each year.	Recommendation accepted. This is the planned approach for 2019/20 once our new HR / Duties system is implemented in Autumn 2019.

OVERVIEW

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Overview
Independence and fees
Appendices contents

Opinion on financial statements

We have issued an unmodified opinion on the Group and the Chief Constable financial statements.

There are no matters that we wish to draw attention to by way of ‘emphasis of matter’.

Conclusion on use of resources

We have issued an unqualified use of resources conclusion.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Group’s ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

INDEPENDENCE

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Independence
Fees
Appendices contents

Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2019.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the PCC, the CC and the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the PCC, CC and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Independence
Fees
Appendices contents

Fees summary	2018/19	2018/19
	Actual	Planned
	£	£
Audit 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	-	-
Total fees	34,104	34,104



APPENDICES CONTENTS

A	Our responsibilities	35
	Responsibilities and reporting	35
	Additional matters we are required to report	36
	Communication and reports issued	37
B	Audit report	38
	draft Audit report	38
	Draft Audit report	39
	Audit report	40
C	Audit quality	41
	Audit quality	41
D	Letter of representation	42

	Representative letter	42
	Representative letter 2	43
	Representative letter 3	44

RESPONSIBILITIES AND REPORTING

Responsibilities and reporting

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit report
Draft Audit report
Audit report
Audit quality
Representative letter
Representative letter 2
Representative letter 3

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidation Group and PCC and CC financial statements. We report our opinion on the financial statements to the members.

We read and consider the ‘other information’ contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Group has not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Joint Audit Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit report
Draft Audit report
Audit report
Audit quality
Representative letter
Representative letter 2
Representative letter 3

	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

COMMUNICATION AND REPORTS ISSUED

Contents

Appendices contents

Our responsibilities

Additional matters we are required to report

Communication and reports issued

Audit report

Draft Audit report

Audit report

Audit quality

Representative letter

Representative letter 2

Representative letter 3

Those Charged with Governance (TCWG)

References in this report to those charged with governance are to the Group as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
18/19 Audit Fee Letters	April 2018	Management
Audit Plan	March 2019	Audit Committee
Materiality Update	June 2019	Audit Committee
Audit Completion Report	July 2019 (This Report)	Audit Committee
Annual Audit Letter	August 2019	Audit Committee

DRAFT AUDIT REPORT

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit report
Draft Audit report
Audit report
Audit quality
Representative letter
Representative letter 2
Representative letter 3

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR BEDFORDSHIRE

Opinion on the financial statements

We have audited the financial statements of the Police and Crime Commissioner for Bedfordshire (“the Police and Crime Commissioner”) and the Chief Constable for Bedfordshire (together comprising “the group”) for the year ended 31 March 2019 which comprise the Police and Crime Commissioner and the group Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, Cash Flow Statements, Expenditure and Funding Analysis, and Pension Fund Account and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner as at 31 March 2019 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 (“Code of Audit Practice”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Police and Crime Commissioner and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Police and Crime Commissioner’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

DRAFT AUDIT REPORT

Continued

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Police and Crime Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice (April 2015) requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Responsibilities of the Chief Financial Officer and the Police and Crime Commissioner

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit report
Draft Audit report
Audit report
Audit quality
Representative letter
Representative letter 2
Representative letter 3

AUDIT REPORT

Continued

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Police and Crime Commissioner's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Police and Crime Commissioner intends to cease operations of the Police and Crime Commissioner or group or has no realistic alternative but to do so.

The Police and Crime Commissioner 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Auditor's responsibilities in respect of the Police and Crime Commissioner's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate of completion of the audit

We certify that we have completed the audit of the accounts of The Police and Crime Commissioner for Bedfordshire Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the Police and Crime Commissioner, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to him in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

Aphrodite Lefevre

For and on behalf of BDO LLP, Appointed Auditor

Norwich, UK

[date]

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit report
Draft Audit report
Audit report
Audit quality
Representative letter
Representative letter 2
Representative letter 3

AUDIT QUALITY

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit report
Draft Audit report
Audit report
Audit quality
Representative letter
Representative letter 2
Representative letter 3



BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

Letter of representation

BDO LLP
Yare House
62-64 Thorpe Road
Norwich
NR1 1RY

[Client name and Letter headed paper
Separate representation letters will be
required from both the Police and Crime
Commissioner and the Chief Constable.]

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit report
Draft Audit report
Audit report
Audit quality
Representative letter
Representative letter 2
Representative letter 3

Financial statements of The Police and Crime Commissioner for Bedfordshire Group for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the Group and the Police and Crime Commissioner for Bedfordshire's ("the PCC") financial statements for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Force.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the Group and the PCC statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the PCC as of 31 March 2019 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the PCC, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the PCC's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the PCC, CC and Group have been made available to you for the purpose of your audit and all the transactions undertaken by the PCC, CC and Group have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Group and the PCC's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Group and the PCC and CC is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the PCC's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the PCC's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit report
Draft Audit report
Audit report
Audit quality
Representative letter
Representative letter 2
Representative letter 3

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have made the results available to you.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note to the financial statements, there were no loans, transactions or arrangements between any Group entity and PCC members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated Group and PCC financial statements.

Accounting estimates

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

We confirm that the actuarial assumptions underlying the valuation of the Police Pension Fund liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit report
Draft Audit report
Audit report
Audit quality
Representative letter
Representative letter 2
Representative letter 3

b) Valuation of Land and Buildings

We are satisfied that the useful economic lives of land and buildings, and their constituent components, used in the valuation of land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Group in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Phillip Wells
Chief Finance Officer

[date]

Jagtar Singh
Chair of the Audit Committee

[date]



FOR MORE INFORMATION:

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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.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

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