

The Police and Crime Commissioner for Bedfordshire
and the Chief Constable for Bedfordshire

Annual Audit Letter for the year ended 31 March 2015

7 October 2015

Ernst & Young LLP



The Police and Crime Commissioner for Bedfordshire
The Chief Constable for Bedfordshire
Bedfordshire Police HQ
Woburn Road
Kempston
Beds
MK43 9AX

7 October 2015

Dear Olly and Jon

Annual Audit Letter 2014/15

The purpose of this Annual Audit Letter is to communicate to both the Police and Crime Commissioner for Bedfordshire (the PCC) and the Chief Constable for Bedfordshire (the CC) and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of the PCC and CC in the following reports:

2014/15 Audit Results Report for Office of the
Police and Crime Commissioner for
Bedfordshire (PCC) the Office of the Chief
Constable for Bedfordshire (the CC)

Issued on 17 September 2015

We do not repeat those findings here.

The matters reported here are those we consider most significant for the bodies.

We would like to take this opportunity to thank officers for their assistance during the course of our work.

Yours faithfully

Mark Hodgson
Executive Director
For and on behalf of Ernst & Young LLP
Enc.

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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission’s ‘Statement of responsibilities of auditors and audited bodies’ (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission’s website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission’s appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2014/15 audit work was undertaken in accordance with the Audit Plan issued on 24 February 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The PCC and CC are responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS the PCC and CC reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The PCC and CC are also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements, and on the consistency of other information published with them for the PCC and CC
- reviewing and reporting by exception on the Council's AGS for the PCC and CC
- forming a conclusion on the arrangements the PCC and CC has to secure economy, efficiency and effectiveness in its use of resources
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Office of the Police and Crime Commissioner	Office of the Chief Constable
Audit of the financial statements the Police and Crime Commissioner and Group and Chief Constable Statements for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland).	On 23 September 2015 we issued an unqualified audit opinion on the PCC and Group's financial statements.	On 23 September 2015 we issued an unqualified audit opinion on the CC's financial statements.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 23 September 2015 we issued an unqualified value for money conclusion.	On 23 September 2015 we issued an unqualified value for money conclusion.
Report to the National Audit Office on the accuracy of the consolidation pack that the PCC needs to prepare for the Whole of Government Accounts.	The PCC is below the specified audit threshold of £350 million. Therefore we did not perform any audit procedures on the consolidation pack and submitted the required audit assurance statement confirming the threshold position.	Not Applicable

Consider the completeness of disclosures on the PCC and CC's AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance.	No issues to report.	No issues to report.
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit.	No issues to report.	No issues to report.
Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act.	No issues to report.	No issues to report.
<i>As a result of the above we have also:</i>		
Issued a report to those charged with governance of the PCC and CC with the significant findings from our audit.	Our Audit Results Report was issued on 17 September 2015 to the Police and Crime Commissioner.	Our Audit Results Report was issued on 17 September 2015 to the Chief Constable.
Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	Issued on 23 September 2015.	Issued on 23 September 2015.

2. Key findings

2.1 Financial statement audit

The PCC and CC's Statement of Accounts is an important tool to show both how the PCC and CC have used public money and how it can demonstrate its financial management and financial health.

We audited the PCC and CC's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 23 September 2015.

Our detailed findings were reported to those charged with governance within the Audit Results Report issued on 17 September 2015.

Our audit results demonstrated, through the few matters we had to communicate, that the Office of the Police & Crime Commissioner for Bedfordshire and Office of the Chief Constable for Bedfordshire prepared their financial statements well.

The main issues identified as part of our audit were:

Significant risk 1: Risk of Misstatement due to Fraud and Error

ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud. This includes consideration of the risk that management may override controls in order to manipulate the financial statements.

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

One area which may be particularly susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Capital programme. This risk applies to the Office of the PCC, Office of the CC and the Group.

Our audit testing has not identified any instances of misstatement due to fraud and error.

2.2 Value for money conclusion

As part of our work we must also conclude whether the PCC and CC has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014-15 value for money conclusion was based on two criteria. We consider whether the Council had proper arrangements in place for:

- ▶ securing financial resilience, and
- ▶ challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion for the PCC and CC.

Key finding 1: Arrangements for Securing Financial Resilience and securing Economy, Efficiency and Effectiveness in the use of resources

Identified risk - Pressures from Comprehensive Spending Review and securing medium to long term financial resilience including collaboration. To date the PCC and CC has responded well to the financial pressure resulting from reductions in public spending and grants funding to PCCs and CCs. PCC and CC has a good track record of delivering savings, maintaining good level of reserves and have had a robust approach to medium to longer term financial planning. However, current and future Comprehensive Spending Reviews will continue to impact on the PCC's and CC's budget and medium term financial planning during current and forthcoming financial years. The 2015/16 – 2018/19 Medium Term Financial Plan details a funding gap, across the period, before the use of reserves, of £17.5 million. The PCC and CC has and will continue to use collaboration with Hertfordshire and Cambridgeshire as a significant means of addressing medium term financial gaps and delivering on PCC and CC strategic objectives.

The Medium Term Financial Strategy (MTFS) identifies a budget gap for 2015/16 to 2017/18 of £16.5 million. The PCC/CC have an identified savings programme across the same period which total £13.9 million. The PCC and CC plans to utilise reserves of £2.7 million across this period.

There is a further budget gap of £6.9 million across 2018/19 to 2019/20 for which a savings programme of £4.8 million has been identified leaving a residual gap of £2.1 million for which savings plans have yet to be identified.

Of these total planned savings £10.6 million are to be secured through collaborative projects with Cambridgeshire and Hertfordshire. £4.1 million is to be secured through internal transformational change to the operational policing model. The remaining savings are to be secured through other internal projects.

There clearly remains a risk that the PCC and CC is unable to deliver the required level of savings either in quantum terms or to the indicative timetable. The reliance on collaboration projects as a proportion of total savings is significant and the delivery of the identified projects remains a key risk and area of focus for the PCC and CC. In addition, the MTFS is predicated on a certain level of funding cuts. The next iteration of the Comprehensive Spending review may impose a greater funding cut which would impact on the assumptions within the MTFS.

Recommendations

1. The PCC and CC need to robustly monitor the delivery of its savings programme. The PCC and CC should take prompt action and explore alternative savings proposals, including in collaboration and partnership with others, to mitigate the risk of non-delivery or slippage of the savings programmes.
2. The PCC and CC must update the information, risks and assumptions within the MTFS as the position on future funding settlements becomes clear and in light of any changes to the delivery of the savings programme.

2.3 Whole of Government Accounts

We performed the procedures required by the National Audit Office. The Council is below the specified audit threshold of £350 million and therefore we were not required to audit the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We made our audit assurance submission in line with the deadline.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the PCC and CC's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

2.5 Objections received

We did not receive any objections to the 2014/15 financial statements (PCC and CC) from members of the Public.

2.6 Other powers and duties

We identified no issues during our audit that required us to use powers under the Audit Commission Act 1998, including reporting in the public interest.

2.7 Independence

We communicated our assessment of independence to the Joint Audit Committee on 23 September 2015. In our professional judgement the firm is independent and the objectivity of the audit engagement Executive Director and audit staff has not been compromised within the meaning of regulatory and professional requirements

3. Control themes and observations

As part of our work, we obtained enough understanding of internal control to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we must tell those charged with governance about any significant deficiencies in internal control we find during our audit.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the PCC and CC's financial statements.

4. Fees

Our fee for 2014/15 is in line with the scale fee set by the Audit Commission and reported in our 24 February 2015 Audit Plan and our 17 September 2015 Audit Results Report.

	Final fee 2014-15	Planned fee 2014-15	Scale fee 2014-15
The Office of Police and Crime Commissioner for Bedfordshire – Code Work	39,055	39,055	39,055
The Chief Constable for Bedfordshire Constabulary – Code Work	20,000	20,000	20,000
Total Audit Fee – Code work	£59,055	£59,055	£59,055

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