

Annual Audit Letter

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

9 October 2014



Building a better
working world

The Police and Crime Commissioner for Bedfordshire
Bridgebury House
Police Headquarters

9 October 2014

The Chief Constable for Bedfordshire
Police Headquarters
Bedford

Dear Olly & Colette,

Annual Audit Letter – 2013/14 financial year

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:

2013/14 Audit Results Report for Office of the
Police and Crime Commissioner for
Bedfordshire and

Issued on 11 September 2014

2013/14 Audit Results Report Office of the
Chief Constable for Bedfordshire (the CC)

Issued on 11 September 2014

The matters reported here are the most significant for the bodies.

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

Yours faithfully

Mark Hodgson
Audit Director

For and behalf of Ernst & Young LLP

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Executive summary

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued on 4 March 2014 and is 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 their respective Statement of Accounts, accompanied by their respective Annual Governance Statements. In their respective Annual Governance Statement, the PCC and CC report publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The PCC and CC are also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their respective use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements of the PCC and CC;
- ▶ reviewing the Annual Governance Statement of the PCC and CC;
- ▶ forming a conclusion on the arrangements that the PCC and CC has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Area of work	Office of the Police and Crime Commissioner	Office of the Chief Constable
Audit the financial statements of the Police and Crime Commissioner and Group and Chief Constable Statements for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 26 September 2014 we issued an unqualified audit opinion in respect of the PCC and Group.	On 26 September 2014 we issued an unqualified audit opinion in respect of the CC.
Form a conclusion on the arrangements the PCC/CC has made for securing economy, efficiency and effectiveness in its use of resources.	On 26 September 2014 we issued an unqualified value for money conclusion.	On 26 September 2014 we issued an unqualified value for money conclusion.

Area of work	Office of the Police and Crime Commissioner	Office of the Chief Constable
Issue a report to those charged with governance (the PCC and CC) communicating significant findings resulting from our audit.	On 26 September 2014 we issued our report in respect of the PCC.	On 26 September 2014 we issued our report in respect of the CC.
Report to the National Audit Office on the accuracy of the consolidation pack the PCC is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 23 September 2014.	N/A – Whole of Government accounts is prepared at the group level.
Consider the completeness of disclosures in the PCC/CC's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.	No issues to report.
Issue 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.	On 26 September 2014 we issued our audit completion certificate for the PCC.	On 26 September 2014 we issued our audit completion certificate for the CC.

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Planned fee	Scale fee	Final
Code audit work – PCC	£39,055	£39,055	£39,055
Code audit work – CC	£20,000	£20,000	£20,000
Non-Code work	Nil	N/A	Nil

Our actual fee is in line with the agreed fee for the Code audit work.

We confirm that we have not undertaken any non-audit work.

Key findings

Financial statement audit

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. We issued an unqualified audit report on 26 September 2014 in respect of both sets of Statements of Accounts.

In our view, the process for producing the accounts, including the supporting working papers, was good.

The main issues identified as part of our audit were:

Significant risk 1: Fraud and Management Override Risk

As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

An area we identified as being susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment.

There were no findings that indicate a risk of misstatement due to fraud or error.

Value for money conclusion

We are required to carry out sufficient work to conclude on whether the PCC and CC has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2013/14 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 26 September 2014.

Key findings:

1. Financial resilience

The PCC and CC have robust arrangements in place to ensure its financial resilience. The Force has a history of good financial management and a strong record in the delivery of budgets.

The PCC and CC have been able to set balanced budget while maintaining a relatively low council tax. In 2013/14 the PCC and CC achieved a surplus of £5.033 million on the Police Fund, before transferring £4.063 million into Earmarked reserves for specific purposes.

At 31 March 2014, the PCC and CC's Police Fund balance which is available to meet unforeseen circumstances stood at £4.33 million, while Earmarked reserves were £13.67 million. Although the majority of these are earmarked for specific purposes, they do provide the PCC and CC with enhanced flexibility to manage its financial position in the current economic environment.

The PCC / CC has set a balanced budget for 2014/15 with no planned drawdown of reserves and without increasing council tax. Recurring efficiency savings have been identified to achieve this budget.

The Medium Term Financial Plan shows that further savings are required in 2015/16 and 2016/17 of £9.6 million. The PCC and CC do have plans in place to achieve these savings, and a significant number of these plans are reliant on the continued collaboration work with counterparts in Hertfordshire and Cambridgeshire.

Whilst, the reserve balance position (above) provides assurance over the financial resilience of the PCC and CC over the next three year period, the PCC and CC do need to work hard to achieve the significant level of savings identified above, in order to protect the Police Fund reserve balance going forward and maintain police services at their current level.

2. Securing economy efficiency and effectiveness

The PCC and CC have demonstrated that they have effective arrangements in place for securing economy, efficiency and effectiveness.

The PCC and CC continues to use cost and performance information to make decisions, including the use of comparative and benchmarking data to challenge economy, efficiency and effectiveness of services.

The PCC and CC continues to challenge its costs in order to reduce these without adversely affecting public safety.

Objections received

We did not received any correspondence or formal objections to the 2013/14 accounts (PCC and CC) from any members of the public.

Whole of government accounts

We confirmed to the National Audit Office on the 23 September 2014 that the PCC Group falls under the threshold for a full audit of the consolidation pack.

Annual governance statement

We are required to consider the completeness of disclosures in the respective PCC and CC's Annual Governance Statements, identify any inconsistencies with other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient 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 communicated to those charged with governance, as required, significant deficiencies in internal control.

We had no matters to report.

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