

Police Annual Audit Letter

November 2006



Annual audit letter

Bedfordshire Police Authority

Audit 2005/2006

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our report

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

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The purpose of this letter

- 1 The purpose of this Annual Audit Letter (letter) is to summarise the key issues arising from the work that we have carried out during the year. Although this letter is addressed to the members of the Authority, it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Audit Commission website at www.audit-commission.gov.uk.
- 2 This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

The responsibilities of the auditor and the Authority

- 3 We have been appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including Police Authorities.
- 4 As the Authority's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Authority achieving its objectives. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

The scope of our work

- 5 Our main responsibility as your appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:
 - the Authority's accounts; and
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 6 This letter summarises the significant issues arising from both these areas of work and highlights the key recommendations that we consider should be addressed by the Authority. A list of all reports issued to the Authority in relation to the 2005/06 audit is provided in the closing remarks section at the end of this letter.

The audit of the accounts

- 7 We gave an unqualified opinion on the financial statements on 29 September 2006 in advance of the deadline of 30 September.
- 8 The accounts presented for audit were available on time and were supported by good quality working papers. There were no significant issues arising from our work on the financial statements that we needed to bring to the Authority's attention in our Governance report dated September 2006.

Use of resources

- 9 We are required to issue a conclusion on whether we are satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.
- 10 We are also required to assess how well Police authorities manage and use their financial resources by providing scored judgements on the Authority's arrangements in five specific areas. This is known as the Police Use of Resources Evaluation (PURE) and was completed for the first time in 2006.

Financial position

- 11 We included in our annual governance report a section on the outturn for 2005/06 and the position against the budget for 2006/07 as at 30 June 2006. The forecast then was that the year end position would be close to budget. The most recent report to the Finance Committee in October 2006 shows a forecast overspend against the revenue budget of £0.5 million. The largest elements of this are in respect of DNA and forensic services, overtime and agency staff costs. Given that there are balances of £3.1 million these are sufficient to absorb this level of overspend. The report explains the steps being taken to reduce the overspends and the factors which could lead to further variations. The capital budget for 2006/07 forecasts a reduction of £0.9 million in the payments due to take place in 2006/07.
- 12 The Authority continues to disclose a contingent liability in its accounts in respect of the disturbances at Yarl's Wood Detention Centre in 2002. The case is no closer to resolution and the disclosure of the liability has been made based on legal advice.

Value for money conclusion

- 13 We concluded that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources and therefore an unqualified VFM conclusion was issued.

Police Use of Resources Evaluation

- 14 We assessed the Authority's arrangements in five areas. Each area was scored from 1 to 4 (1= inadequate performance, 2 = adequate performance, 3 = performing well and 4 = performing strongly). An interim report supporting our assessment on 4 of the themes and highlighting areas for improvement was issued to the Authority on 20 July 2006 with a final report including the Financial Reporting theme issued in October 2006. Both reports were made available to HMIC to inform its baseline assessment.

Table 1 Bedfordshire Police Authority ALE scores

Area	Score	Contextual information
Financial reporting	3	63 per cent of police authorities scored a 3 and 11 per cent scored a 4
Financial management	3	58 per cent of police authorities scored a 3 and 2 per cent scored a 4
Financial standing	3	76 per cent of police authorities scored a 3 and 4 per cent scored a 4
Internal Control	3	42 per cent of police authorities scored a 3 and no scores of 4 were achieved
Value for money	2	63 per cent of police authorities scored a 3 and 2 per cent scored a 4

- 15 Our report on the Police Use of Resources highlights where we consider that there are improvement opportunities available. Our report also identifies what we consider to be notable practice in respect of the 'Making Costs Visible' process.
- 16 The scored judgements are linked to our responsibilities under the Code and there were no issues that impacted on the unqualified VFM conclusion.

Activity Based Costing

- 17 We assessed the implementation of Activity Based Costing (ABC) by considering whether the Authority has systems in place to produce an accurate submission of costing data to the Home Office.
- 18 We assessed the arrangements at the Authority as 'Excellent' and the quality of the data submission as 'Excellent'. Detailed findings were set out in our report dated June 2006 which went to the Audit Committee in that month. We have received a response to the action plan attached to the report.

Review of Crime Data Quality

- 19 We reviewed the arrangements in place for recording and reporting crime data focusing on elements of data reported in the Police Performance Assessment Framework (PPAF).
- 20 Our conclusion was that arrangements had improved from the previous year and our rating is now 'Good'. The detailed data testing was also assessed as 'Excellent' representing a sustained improvement from last year. The results of our work were reported to the Performance and Best Value Committee in July 2006 and we have received a full response to our action plan.

Performance breakthrough follow up

- 21 Our original review of the Authority's approach to managing performance took place in 2003, with an initial follow up in 2004. A further follow up of progress was undertaken as part of this year's audit. We found that changes being introduced to the performance regime, the creation of both the Performance Delivery Unit, and the Corporate Development Department as well as the appointment of a Director for Human Resources, were all helping to address matters raised by the initial review.
- 22 Of the nine recommendations, four had been implemented in full and five were partially implemented. Our report was taken to the July Performance and Best Value Committee which is monitoring the full implementation of the remaining recommendations.

Making improvements through partnerships

- 23 At the Authority's request, we undertook some voluntary improvement work on partnership working, in respect of the crime and disorder reduction partnership with Mid Bedfordshire. Subsequent to the work beginning the Force have revised their Basic Command Units. There are now two, one of which covers Luton unitary authority. We concluded that there was work that could be done to improve aspects of partnership working.
- 24 Amongst the issues that we identified for Authority action were:
 - the need to finalise the joint partnership policy which had emerged from the Authority's Best Value Review of partnerships. This was approved at the July Authority meeting; and
 - the need to ensure that there are processes in place for monitoring performance and the probity and financial management of partnerships.
- 25 The report was considered at the Police Authority meeting in July 2006 and we have received a response to the action plan. The creation of a Community Engagement Committee is seen as instrumental in addressing many of the issues raised by our report including bringing together the monitoring of CDRPs, including both financial and performance matters.

Closing remarks

- 26 This letter has been discussed and agreed with the Treasurer. A copy of the letter was presented at the Audit Committee on 7 November 2006 and copies will be provided to all Authority members.
- 27 Further detailed findings, conclusions and recommendations on the areas covered by our audit are included in the reports issued to the Authority during the year. These are listed in the following table.

Report	Actual date of issue
Audit Plan	16 May 2005
Interim report	No matters to report
Annual Governance Report including opinion on accounts and VFM conclusion.	11 September 2006
PURE Interim Report	20 July 2006
PURE Final Report	October 2006
Performance break through follow up	May 2006
Activity Based Costing	June 2006
Crime Data Quality	June 2006
Making improvements through partnerships	July 2006
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I would like to take this opportunity to thank the Authority for its assistance and co-operation during the course of the audit.

Karen McConnell
District Auditor
November 2006