

Annual Audit Letter

Bedfordshire Police Authority

Audit 2008/09

December 2009



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Status of our reports

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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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

This report summarises the findings from our 2008/09 audit. It includes messages arising from my two key responsibilities, namely:

- **the audit of your financial statements and**
- **the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

Audit opinion on the financial statements

- 1** I issued an unqualified opinion on the Police Authority and Police Pension Fund financial statements in advance of the 30 September deadline. I concluded that the accounts presented fairly the financial position of the Authority and Pension Fund as at 31 March 2009 and the financial transactions during 2008/09.
- 2** Our audit work identified one non-trivial error in the Police Authority main financial statements and a small number of errors in the notes to the accounts.

Value for money

- 3** Our Use of Resources work has been concluded and final scores have been notified to the Authority by the Audit Commission. The Authority has been assessed at level 3 this year under the new Use of Resources assessment. Level 3 represents performance that exceeds minimum requirements and is classed as 'performing well'. The scores awarded mean that we issued an unqualified value for money conclusion for 2008/09.
- 4** The 2008/09 Use of Resources assessment was very different to the Police Use of Resources Evaluation (PURE) assessment that preceded it. While a number of similar areas were assessed under both frameworks, the focus of the new approach changed significantly. The new assessment is more broadly based and embraces wider resource issues around workforce planning. There is a greater focus on value for money throughout all of the three themes of the assessment, as well as a greater focus on achievements, outputs and outcomes rather than processes.
- 5** In achieving an overall score of 3 the Police Authority has performed well, although we have identified a number of areas for improvement which are highlighted later in this letter. The main areas requiring further focus are:
 - the need to deliver improved performance in a number of key areas, both in absolute terms and when compared to the most similar forces (MSF) groups; and

- the need to address the current gap in terms of public satisfaction between white and BME communities of 12.5 per cent, which has increased when compared to the previous years' figures.

Actions

Recommendations are shown within the body of this report and have been agreed with the audited body.

Financial statements and annual governance statement

The Police Authority's financial statements and annual governance statement are an important means by which the Police Authority accounts for its stewardship of public funds.

Significant issues arising from the audit

- 6 The Police Authority again provided good quality working papers to support the financial statements and I was able to complete my audit in advance of the deadline of 30th September. I did not identify any material errors in the accounts presented for audit.
 - 7 My audit work identified one non-trivial error in the main financial statements and a small number of errors in the notes to the accounts. For the purposes of our audit, we define non-trivial errors as those in excess of 1 per cent of our materiality figure, which for the 2008/09 financial statements is £24k for Income and Expenditure items and £47k for Balance Sheet items. 'Material' errors would be any in excess of £2,436k for Income and Expenditure items or £4,671k for Balance Sheet items (either individually or in aggregate).
 - 8 The amendments made to the statements and other issues identified during the audit were detailed in the Annual Governance report which was presented to the Audit & Business Assurance Committee in September 2009.
-

Material weaknesses in internal control

- 9 I did not identify any significant weaknesses in your internal control arrangements.
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Accounting practice and financial reporting

- 10 I considered the qualitative aspects of your financial reporting as part of my work on the financial statements. There were no issues arising from the 2008/09 audit that I need to report in this Letter.
- 11 The introduction of International Financial Reporting Standards (IFRS) for the 2010/11 financial year poses a number of challenges for audited bodies in terms of information collection and restatement of 2009/10 balances. It is important that this process is successfully project-managed from an early stage to ensure the smooth introduction of the new financial reporting requirements.

Recommendation

- R1** Monitor the plans in place to address the implications of the introduction of International Financial Reporting Standards (IFRS), which includes the need to restate the key 2009/10 balances, in preparation for 2010/11.

Value for money and use of resources

I considered how well the Police Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Police Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 12 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2. Level 3 represents performance that exceeds minimum requirements and is classed as 'performing well'.
- 13 The KLOE assessed as part of the 2008/09 Use of Resources assessment are show in Appendix 1 to this Letter.
- 14 The Authority's [use of resources theme scores are shown in Table 2 below](#). The detailed findings and conclusions for the three themes, and the underlying KLOE, have been reported separately (see 'Use of Resources' Report, October 2009). The key issues are drawn out in Table 1 and the paragraphs that follow.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances How effectively does the organisation manage its finances to deliver value for money?	3
Governing the business How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?	2
Managing resources How well does the organisation manage its natural resources, physical assets, and people to meet current and future needs and deliver value for money?	3
Overall score	3

Managing finances

- 15** The Authority has integrated its Medium Term Financial Planning with its strategic and service planning processes on a medium to long term basis and there is a focus on delivering priorities by shifting resources from low to high priority areas and a constant drive to deliver efficiencies.
- 16** There is currently a stable and responsive financial environment for service planning and the Authority has been able to keep expenditure within budgets for several years. However the economic downturn is having a significant impact on public finances and the bodies that manage them. There is likely to be an impact on the Authority's ability to fund service delivery and capital programmes due to the uncertainty surrounding future funding streams.
- 17** Bedfordshire is a relatively small authority with limited scope to increase its funding base from a historically low level. The Authority works hard, through its use of combined financial and performance information, to ensure that it has a good understanding of costs and cost drivers, which it uses to ensure that it delivers efficiencies where possible.
- 18** Performance data for 2008/09 still indicates poor performance in a number of areas, especially in Luton, where levels of acquisitive crime, domestic burglary, robbery, vehicle crime and other wounding, are improving but remain above average. The Authority needs to work to deliver improved performance in these areas, both in absolute terms and when compared to the most similar forces (MSF) groups.

Value for money and use of resources

- 19** We also found that although benchmarking was undertaken in some areas (such as HR and IT), there was scope to increase the level of benchmarking of performance and costs, and extend this more widely across the organisation. This should enable the Authority to improve its understanding of costs and cost drivers and demonstrate how these are being managed to deliver improved performance.

Recommendation

R2 Take further action to continue to improve performance in all areas in order to improve the Authority's relative position in terms of MSF groups.

R3 Undertake more benchmarking of performance and costs to enable the Authority to better assess and demonstrate whether the redirection of resources has delivered clear improvements.

Governing the business

- 20** The Police Authority has a clear vision of intended outcomes for local people which shapes its service delivery and is set out in the Policing Pledge. Resource constraints have meant that the Force has pursued collaboration and joint procurement exercises to deliver efficiencies and improved service resilience.
- 21** The Force has sound overall processes for securing good quality data and strengthened its focus on performance management in April 2008 by creating the new 'Performance and Planning Unit' within the Corporate Development Department. This has enabled a greater customer focus and consistency in the provision of performance information in supporting decision making and monitoring progress against strategic priorities.
- 22** The Authority demonstrates the principles and values of good governance and there is an open relationship between the Force and the Authority. There is robust and appropriate challenge and Lead Members for effective scrutiny. There is a strong relationship of mutual trust, particularly between Chief Officers and the Chair and Chief Executive.
- 23** The Authority has developed robust risk management arrangements in 2008/09 and risk assessment is now embedded in its business processes. Effective risk management has meant that the Authority and Force have been able to deliver innovative collaborative working arrangements, the introduction of mobile IT data and the reorganisation of the corporate services department. The Audit and Business Assurance Committee is objective, independent and knowledgeable and provides effective challenge across the Authority and the Force.
- 24** However, as referred to in paragraph 19, the Authority needs to do more to improve performance relative to other similar forces, particularly in Luton, in order to demonstrate that the services commissioned are of high quality and are meeting the needs of local communities in terms of reducing the levels of crime.
- 25** In addition, more work is needed to address the current gap in terms of public satisfaction between white and BME communities of 12.5 per cent, which has increased when compared to the previous years' figures. While there is often a time lag

between actions being taken and improved satisfaction being reported, the Authority needs to assure itself that the actions it is taking in this area are on course to deliver improvement.

Recommendation

- R4** Put in place arrangements to ensure better engagement with diverse communities and take action to close the significant satisfaction gap between white and BME communities.

Managing resources

- 26** The Force has made a step change in people management and workforce planning during 2008/09. Training plans are in place across the organisation and long term sickness numbers have reduced through positive action and management intervention.
- 27** There has also been significant progress on recruitment in 2008/09, which was a significant risk issue in 2007/08. The challenge for the Authority now is to build on this and demonstrate how these positive achievements feed through to the delivery of increased efficiencies and improved performance in areas of weakness.

VFM Conclusion

- 28** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 29** I issued an unqualified conclusion stating that the Police Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Independence

- 30** I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Value for money and use of resources

Audit Fees

31 My outturn audit fees are set out in Table 2.

Table 2 **Audit fees**

	Actual	Proposed	Variance
Financial statements and annual governance statement	48,885	48,885	0
Use of Resources	23,575	23,575	0
Total audit fees	72,460	72,460	0
Non-audit work	-	-	-
Total	72,460	72,460	0

Closing remarks

- 32** I have discussed and agreed this letter with the Chief Executive and the Assistant Director, Resources. I will present this letter at the Audit Committee on 10th November 2009 and will provide copies to all committee members.
- 33** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Police Authority during the year.

Table 3

Report	Date issued
Annual Governance Report	September 2009
Use of Resources Report	October 2009
Final Accounts Memorandum	October 2009

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- 34** The Police Authority has taken a positive and constructive approach to our audit. I wish to thank the Police Authority staff for their support and co-operation during the audit.

Debbie Hanson
District Auditor
October 2009

Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

Managing finances

Theme score : 3	
KLOE 1.1 (financial planning) Score VFM criterion met	3 Yes
KLOE 1.2 (understanding costs and achieving efficiencies) Score VFM criterion met	2 Yes
KLOE 1.3 (financial reporting) Score VFM criterion met	3 Yes

Governing the business

Theme score : 2	
KLOE 2.1 (commissioning and procurement) Score VFM criterion met	2 Yes
KLOE 2.2 (data quality and use of information) Score VFM criterion met	2 Yes
KLOE 2.3 (good governance) Score VFM criterion met	2 Yes
KLOE 2.4 (risk management and internal control) Score VFM criterion met	3 Yes

Appendix 1 – Use of resources key findings and conclusions

Managing resources

Theme score : 3	
KLOE 3.3 (workforce planning) Score VFM criterion met	3 Yes

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R1	Monitor the plans in place to address the implications of the introduction of International Financial Reporting Standards (IFRS), which includes the need to restate the key 2009/10 balances, in preparation for 2010/11.	3	Assistant Director Resources	Y	Report to be tabled at Audit & Business Assurance Committee and as appropriate to the Finance Committee	November 2009
R2	Take further action to continue to improve performance in all areas in order to improve the Authority's relative position in terms of MSF groups.	3	Deputy Chief Constable	Y	All efforts will continue to be placed in improving the forces performance when compared to MSF. However, it should be noted that for 2008/09 Bedfordshire's performance improvement exceeded those within the MSF but still remained below the MSF average.	Ongoing

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R3	Undertake more benchmarking of performance and costs to enable the Authority to better assess and demonstrate whether the redirection of resources has delivered clear improvements.	3	Assistant Director Resources	Y	Benchmarking will continue and will build in the new Police Objective Analysis and the HMIC value for money profiles which consider expenditure, staffing and performance both against MSF and all Forces.	Ongoing
R4	Put in place arrangements to ensure better engagement with diverse communities and take action to close the significant satisfaction gap between white and BME communities.	3	Assistant Chief Constable – Territorial Policing	Y	This area has been subject to various reviews and reported both to Community Engagement and Performance Committee and remains a key area of performance delivery focused on at the Force Performance Improvement Board.	Ongoing

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
