

Annual Governance Report

Bedfordshire Police Authority

Audit 2008/09

September 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.
-

Members

2008/09 Annual Governance Report

I am pleased to present my report on the results of my audit work for 2008/09.

A draft of the report was discussed and agreed with the Chief Executive/Treasurer and Director of Finance on 14 September 2009 and has been updated since as issues have been resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report ; and
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 4)

Yours faithfully

Debbie Hanson
District Auditor
28 September 2009

Key messages

This report summarises the findings from the 2008/09 audit. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	11
Financial statements presented for audit are free from error	No	7
Adequate internal control environment	Yes	n/a
Use of resources	Results	Page
Use of resources judgements	3	20
Adequate arrangements to secure value for money	Yes	10

Audit opinion

- 1 Our work on the financial statements is now complete, and we have identified no issues that would prevent us from issuing an unqualified opinion on the financial statements in advance of the 30 September deadline.

Financial statements

- 2 Our audit work has identified one non-trivial error in the main financial statements, and officers have agreed amendments for errors identified to date in the notes to the accounts. For the purposes of our audit, we define non-trivial errors as those in excess of 1% of our materiality figure, which for the 2008/09 financial statements is £24k. 'Material' errors would be any in excess of £2,436k (either individually or in aggregate).
- 3 Non-trivial amendments made to the statements are shown at Appendix 2.

Use of resources

- 4 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. The scores awarded mean that we propose issuing an unqualified Value for Money Conclusion for 2008/09.

Key messages

- 5 A detailed report on the outcome of the Use of Resources review will be presented to a subsequent meeting of the Audit and Business Assurance Committee.
-

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

6 I ask the Audit Committee to:

- consider the matters raised in the report;
- take note of the VFM Conclusion and Use of Resources score; and
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 4).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As Authority members you have final responsibility for these statements.

Opinion on the financial statements

- 7** I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
-

Errors in the financial statements

- 8** Our audit has identified relatively few issues, and these will be reported in more detail to officers in an accounts memo following the completion of our opinion work.
- 9** Officers have amended the Cash Flow Statement to correct for a difference of £109k between the movement in cash on the balance sheet and the movement per the Cash Flow statement in the draft accounts. Other Operating Cash Payments was reduced by £80k, and Cash Received for Goods and Services was increased by £29k.
- 10** Note 32 has been amended to correct an incorrect analysis with regard to Police Pension liabilities. Transfers out of £132k were incorrectly included in Contributions by Scheme Participants but have now been correctly added into Benefits Paid. The total liability is unaffected.
- 11** The most significant disclosure amendments that officers have made to the financial statements are as follows:
- Amendment to the contingent liabilities note to explain that the potential liability in relation to Yarlswood, disclosed as £42m in the 2007/08 statements, is now limited to £2m, as the remaining £40m would be met by insurance.
 - The Financial Review has been amended to include reference to the effect of the poor economic climate in 2008/09 and the impact this has had on the valuation of fixed assets.
 - Note 6 relating to the Transport Consortium has been amended to show the Authority's contribution as £1.9m and not £1.8m as shown in the draft statements.
 - Note 19: Capital Commitments was corrected to show total capital commitments as £26.5m rather than £26.4m.
 - Expansion of the note on Related Party Transactions to include references to where transactions are reported in the statement of accounts
 - The notes to the Statement of Total Recognised Gains and Losses have been expanded to include details of cumulative actuarial gains and losses.

Letter of representation

12 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

Key areas of judgement and audit risk

13 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
The value of land and buildings may have reduced due to falling property prices. There may be a subsequent impact on the financial statements if the values of such assets are not considered or a revaluation exercise carried out.	We have audited the financial statements and found that entries with regard to fixed asset valuations and impairments are not materially misstated.
Current fluctuations in financial markets may impact on the value of the Authority's investments, cash balances and pension funds	We have audited the financial statements and found that these entries are not materially misstated.
Growing levels of collaboration with other forces increase the risk of errors due to the involvement of third parties in providing figures for insertion in the financial statements.	We have audited the financial statements and found that these entries are not materially misstated.
Internal Audit recently issued a limited assurance opinion on the Authority's procurement system. Consequently, there is an increased risk of fraud and systems failure.	We have considered the impact of this issue as part of our work on Use of Resources. This issue was not sufficiently significant, however, to affect the score.
There have been a number of changes made to the 2008 SORP which have been summarised at Appendix 1. It is unlikely that any of these changes will impact significantly on our audit work as long as adequate working papers are provided.	We have considered these issues as part of our post-statements work and found no significant issues.

Use of resources

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

I am also required to conclude whether the 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

- 14** 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 performance exceeds these minimum requirements and is considered to be performing well.
- 15** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 16** The Authority's final Use of Resources theme scores are shown in Table 2 below. The scores for the underlying KLOE, are summarised in Appendix 5.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources (KLOE 3.3 workforce planning only)	3
Overall score	3

- 17** The Authority's overall score is level 3. While the score for Governing the Business is lower than that for the other two themes, a score of 2 still confirms that the Authority has adequate arrangements in place. With regard to Managing Finances and Managing Resources (workforce planning), we have concluded that the Authority is performing well.
- 18** The 2008/09 assessment uses a different methodology from the 2007/08 review, so direct comparison with the previous year is not possible.

- 19** A detailed report on our findings will be discussed with officers in October and will be presented to the Audit and Business Assurance Committee in November 2009.

Value for money conclusion

- 20** I assess 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 5.
- 21** I intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

Appendix 1 – Independent auditor’s report to Members of Bedfordshire Police Authority

Independent auditor’s report to the Members of Bedfordshire Police Authority

Opinion on the financial statements

- 22** I have audited the accounting statements, the police pension fund accounting statements and related notes of Bedfordshire Police Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.
- 23** This report is made solely to the members of Bedfordshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

- 24** The Treasurer’s responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.
- 25** My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
- 26** I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
 - the financial transactions of its police pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.
- 27** I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.
- 28** I read other information published with the accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the police pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

- 29** I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.
- 30** I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the police pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the police pension fund accounting statements and related notes.

Opinion

31 In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the police pension fund during the year ended 31 March 2009 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

32 The Authority 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

33 I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

34 I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Bedfordshire Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

35 I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Debbie Hanson

Officer of the Audit Commission

[Address]

[Date]

Appendix 2 – Adjusted Amendments to the Accounts

36 The following misstatements were identified during the course of my audit and the financial statements have been amended by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 3

		Income and Expenditure Account		Balance Sheet	
Adjusted Misstatements	Nature of Adjustment	Dr £000	Cr £000	Dr £000	Cr £000
Cash Flow Statement	Correction of error in draft statements which meant that the movement in cash on the Balance Sheet did not agree to the supporting Cash Flow Statement and Notes. Other Operating Cash Payments (£80k reduction) Cash Received for Goods and Services (£29k increase)	-	-	-	-
Note 32 Assets and Liabilities in Relation to Retirement Benefits	Transfers out of £132k were incorrectly included in Contributions by Scheme Participants, have now been correctly added to Benefits Paid. The total liability is unaffected.	-	-	-	-

Appendix 3 – Draft letter of representation

Debbie Hanson
District Auditor
Audit Commission
Regus House
1010 Cambourne Business Park
Cambourne
CAMBRIDGE
CB23 6DP

Bedfordshire Police Authority - Audit for the year ended 31 March 2009

37 I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors and officers of Bedfordshire Police Authority, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2009. All representations cover the Authority's accounts, and Pension Fund accounts included within the financial statements.

Compliance with the statutory authorities

38 I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Authority and for making accurate representations to you.

Supporting records

39 All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority meetings, have been made available to you.

Appendix 3 – Draft letter of representation

Irregularities

40 I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

41 There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
 - irregularities involving other employees that could have a material effect on the financial statements; or
 - communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.
- I also confirm that I have disclosed:
- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
 - my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

42 There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority.

43 The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

44 I confirm the reasonableness of the significant assumptions within the financial statements. For all relevant assumptions, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- adjustments to the fair value measurement have been made in relation to subsequent events if required.

Assets

45 The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

46 There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

47 There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

48 I confirm the completeness of the information disclosed regarding the identification of related parties.

49 The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

50 Since the date of approval of the financial statements by [insert relevant body e.g. the Authority, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

51 The Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Specific representations:

52 There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

Appendix 3 – Draft letter of representation

53 Signed on behalf of Bedfordshire Police Authority

54 I confirm that the this letter has been discussed and agreed by the Authority on [date]

Signed

Name

Position

Date

DRAFT

Appendix 4 – Use of resources key findings and conclusions

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

Table 4 Managing finances

Theme score	
The Authority has received a score of 3 for this Theme. A full report will be issued to the Audit Committee in November	
KLOE 1.1 (financial planning)	
Score	3
VFM criterion met	Yes
KLOE 1.2 (understanding costs and achieving efficiencies)	
Score	2
VFM criterion met	Yes
KLOE 1.3 (financial reporting)	
Score	3
VFM criterion met	Yes

Appendix 4 – Use of resources key findings and conclusions

Table 5 **Governing the business**

Theme score	
The Authority has received a score of 2 for this Theme. A full report will be issued to the Audit Committee in November.	
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
KLOE 2.2 (data quality and use of information)	
Score	2
VFM criterion met	Yes
KLOE 2.3 (good governance)	
Score	2
VFM criterion met	Yes
KLOE 2.4 (risk management and internal control)	
Score	3
VFM criterion met	Yes

Table 6 Managing resources

Theme score	
The Authority has received a score of 3 for this Theme. KLOE 3.3 was the only area assessed during 2008/09. A full report will be issued to the Audit Committee in November.	
KLOE 3.1 (use of natural resources) Score VFM criterion met	Not assessed in 2008/09
KLOE 3.2 (strategic asset management) Score VFM criterion met	Not assessed in 2008/09
KLOE 3.3 (workforce planning) Score VFM criterion met	3 Yes

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.

Copies of this report

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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
