



# The Police and Crime Commissioner for Cambridgeshire and Peterborough/ The Chief Constable of Cambridgeshire Constabulary

Auditor's Annual Report : Years ended 31 March 2022 and 31 March 2023

Report to the Joint Audit Committee

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# Welcome

## Executive Summary

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This Auditor's Annual Report provides a summary of the key issues arising from our audit of Police and Crime Commissioner for Cambridgeshire and Peterborough (the "PCC") and the Chief Constable of Cambridgeshire Constabulary (the "CC") for the year ended 31 March 2022 and 31 March 2023.

### Financial statements

We plan to issue the following opinions on the PCC Group and CC's financial statements on the following dates:

- Year ended 31 March 2022, disclaimer opinion by 13 December 2024.
- Year ended 31 March 2023, disclaimer opinion by 13 December 2024.

Where we have issued a disclaimer of opinion it is due to the legislated backstop date. To clear the backlog of historical accounts and 'reset' the system, the Accounts and Audit (Amendment) Regulations 2024 require local bodies to publish audited financial statements for all outstanding years up to and including 2022/23 by 13 December 2024 ('the backstop date'). In addition, the National Audit Office has made changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published

### Value for money

The revised Code of Audit Practice 2024 that has been laid in Parliament and has come into force on 14 November 2024. The revised Code allows auditors to issue a combined commentary on value for money arrangements for outstanding audits up to and including 2022/23 in a single report against a reduced set of criteria, focused on financial sustainability and governance arrangements. We have not identified any significant weaknesses in respect of the PCC and CC's arrangements for securing economy, efficiency and effectiveness in its use of resources having regard to the specified criteria in the Code. We cannot finalise this report until the new Code comes into practice, so we are reporting in draft at this stage, but our work has been completed.

### Other reporting

We did not consider it necessary to use our auditor powers or report on other matters.

The contents of this report relate only to those matters which we are required to report under the draft NAO Code of Audit Practice (September 2024). This report has been prepared solely for the use of the PCC and CC and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.



**Rachel Brittain**  
Key Audit Partner

e: Rachel.brittain@bdo.co.uk  
m: +44 (0)7971 716 487



**Nomalanga Manzana**  
Audit Manager

e:  
Nomalanga.manzana@bdo.co.uk  
m: +44(0)7770 093293

# Purpose and responsibilities

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### Purpose of the Auditor's Annual Report

This Auditor's Annual Report summarises the key issues arising from the work that we have carried out in respect of the years ended 31 March 2022 and 31 March 2023.

It is addressed to the Police and Crime Commissioner and Chief Constable but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

### Responsibilities of the PCC/CC

It is the responsibility of the PCC and CC to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

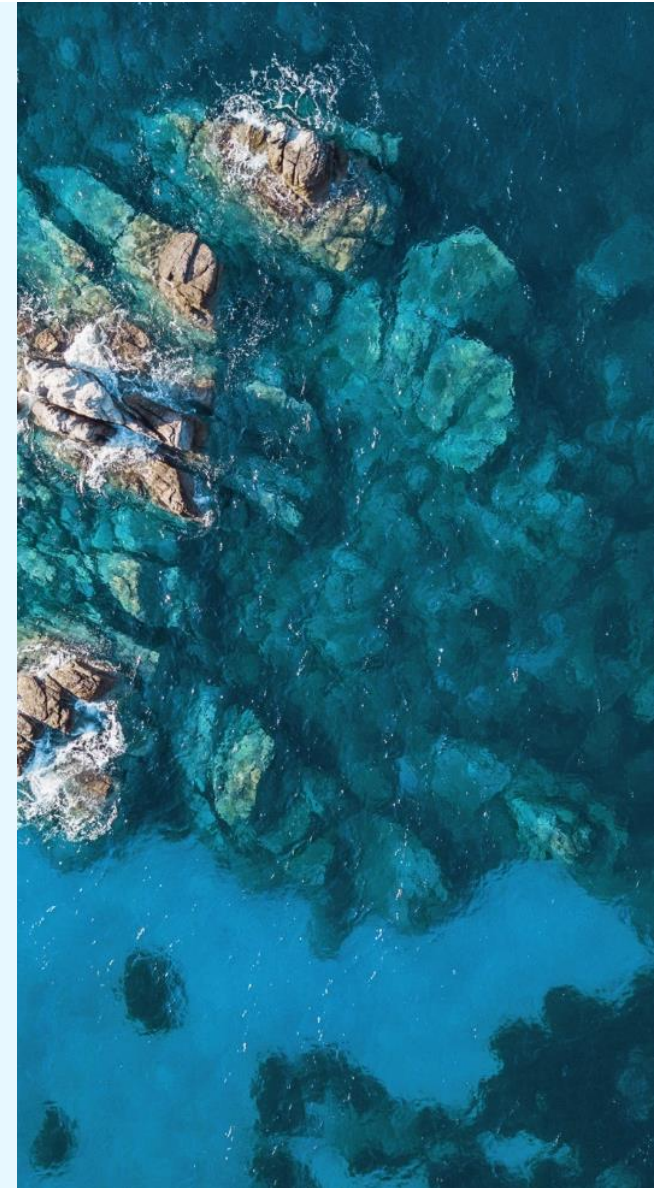
The PCC and CC is also responsible for preparing and publishing its financial statements, annual report and governance statement.

### Responsibilities of auditors

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) draft Code of Audit Practice - September 2024 (the 'Code').

Under the Code, we are required to review and report on:

- Whether the financial statements give a true and fair view of the financial position of the PCC and CC and of its income and expenditure for the year and have been properly prepared in accordance with the relevant legislation;
- Whether the other information published together with the financial statements is consistent with the financial statements;
- Whether the governance statement complies with the guidance issued;
- Whether the PCC and CC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- Where appropriate, make statutory recommendations, refer matters to the Secretary of State or issue a Public Interest Report.



# Financial statements

## Financial statements

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### **Audit conclusion - year ended 31 March 2022 and 31 March 2023**

We will issue a disclaimer audit opinion on the financial statements by 13 December 2024.

This means that we are unable to conclude that the Authority's financial statements for the years ended 31 March 2022 and 31 March 2023 are free from material misstatement.

### **Significant deficiencies in controls**

We did not identify any significant control deficiencies during the audit of the financial statements.

### **Audit differences**

The audit identified no material misstatements.

### **Disclaimed audits**

For the years ended 31 March 2022 and 31 March 2023 we will issue a disclaimer of opinion on the financial statements by 13 December 2024.

These were disclaimed because of the legislated backstop date. To clear the backlog of historical accounts and 'reset' the system, the Accounts and Audit (Amendment) Regulations 2024 require local bodies to publish audited financial statements for all outstanding years up to and including 2022/23 by 13 December 2024 ('the backstop date'). In addition, the National Audit Office has made changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published.

### **Significant difficulties in undertaking the audit**

Where auditors have reported under ISA(UK) 260 on delays to the audit opinion or significant difficulties encountered when undertaking their work, these should be reflected in the Auditor's Annual Report unless the auditor judges that public disclosure would not be appropriate. We have not experienced any such difficulties.

# Value for Money

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### Scope

We are required to review and report on the PCC and CC's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in these arrangements, we are required to report this in the auditor's report included in the financial statements and to make recommendations for improvement in the Auditor's Annual Report.

### Specified criteria

The NAO has issued guidance for auditors to report against three specified reporting criteria:

- Financial sustainability - planning and managing resources to ensure the PCC and CC can continue to deliver its services
- Governance - informed decisions and properly managing risks

The NAO guidance also includes a number of further areas for review within each criteria to allow the auditor to assess those arrangements.

This scope covers audits for the years 2021/22 and 2022/23 inclusive and represents a reduction in scope compared to the 2020 Code previously in force.

### Risk assessment

Our risk assessment did identify the following potential significant weaknesses:

- Financial sustainability - There is a risk that the Force may not have adequate arrangements in place to plan and manage its resources to ensure it can continue to deliver

### Audit conclusion

We have not identified any significant weaknesses in the PCC and CC's arrangements for securing economy, efficiency and effectiveness in its use of resources.

For the two financial years covered by this report, we had no matters to report by exception in the audit report on the financial statements. We also have no matters to report in our closing audit certificate, on completion of our work on the PCC and CC's value for money arrangements.



# Financial Sustainability

## Planning and managing resources

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### Auditor's commentary on arrangements

#### Areas reviewed

- *How significant financial pressures relevant to short and medium-term plans are identified and built into plans;*
- *Plans to bridge funding gaps and to identify achievable savings*
- *How financial plans support the sustainable delivery of services in accordance with strategic priorities*
- *Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of assumptions underlying its plans.*

The PCC and CC have a robust budget process in place. The Strategic Threat and Risk Assessment (STRA) is a year-on-year whole-Force process to provide chief officers with information relating to policing that they can use to make decisions about operational requirements, deployment policy and training. This has the benefit of ensuring that: resource needs are understood and can be prioritised against likely demand; threats and risk are managed efficiently and effectively; decisions are taken on preventative and corrective action as needed.

The STRA process follows through into a budget for the year and the Medium-Term Financial Strategy (MTFS). The Bedfordshire, Cambridgeshire and Hertfordshire (BCH) collaboration planning has been aligned to this cycle, representing a significant improvement in aligning the budget planning in force and across the collaboration to enable more effective

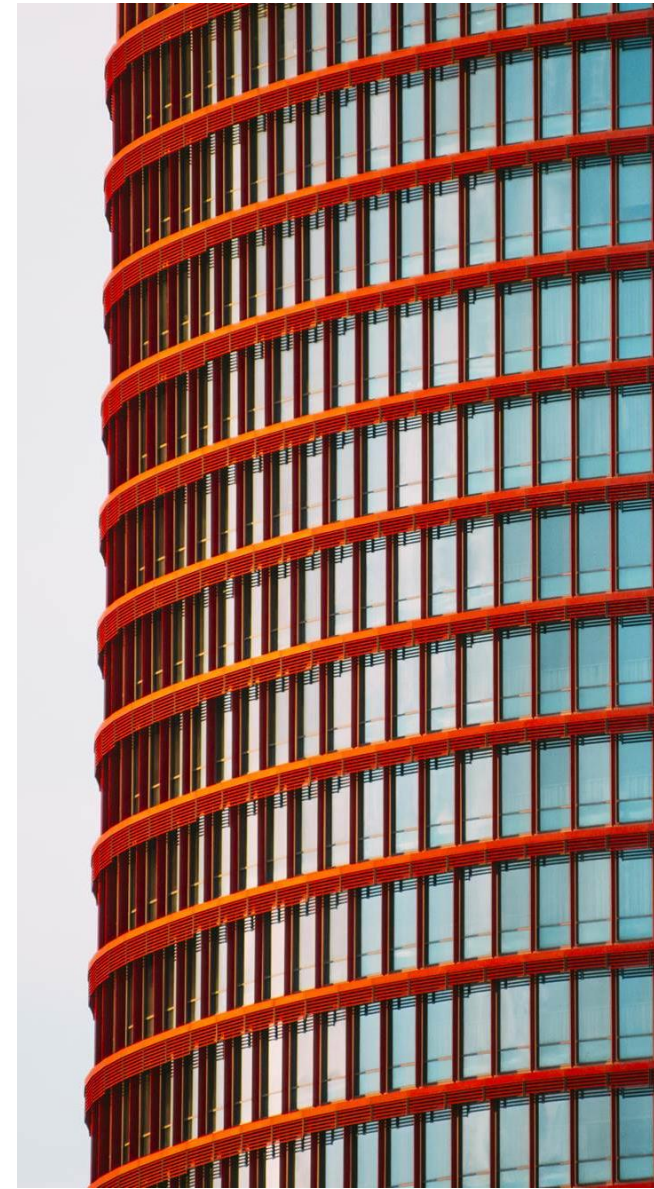
financial planning.

The Police and Crime plan sets out the objectives of the PCC and how it will deliver its statutory responsibilities. These objectives are also added as appendices to the MTFS document. The STRA process has been designed to align the resource of the PCC to priorities and ensure that the MTFS is aligned with the Police and Crime Plan.

Assumptions in the MTFP consider anticipated funding from government sources, and balances this against the expected expenditure needed to provide policing services against the level of local taxation raised from the Council Tax Precept. The PCC/CC has historically met its budget, therefore demonstrating that this process is robust.

The PCC is required to set a balanced budget in line with statutory requirements. The 2021/22 net revenue budget was set at £161.6 million. The Revenue Budget Report was formally approved by the PCC's Business Coordination Board (BCB) and the Police and Crime Panel (PCP) in February 2021. The 2022/23 and 23/24 budgets went through the same approval process in February 2022 and February 2023 respectively (2022/23: £171.5 million; 2023/24: £178.2 million). These levels of approval help to ensure that the budget is reviewed and considered by significant parties at all levels within the organisation.

The Police and Crime Panel reviewed the PCC's proposed council tax precept increase of 6.42% for 2021/22, 4% for 22/23 and 5.08% for 23/24.



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In February 2021, no budget gap was identified for the 2021/22 financial year. However cumulative savings of £8.135 million was needed to be found over the period to 2024/25. In January 2022, no budget gap was identified for the 2022/23 financial year. Cumulative savings of £956k needed to be found over the period to 2025/26. In January 2023, no budget gap was identified for the 2023/24 financial year. Cumulative savings significantly increased to £27 million needed to be found over the period to 2026/27.

Throughout 2020/21, savings were not specifically monitored as part of budget monitoring. This process was introduced by the CFO in 2021/22, throughout 2021/22 and 2022/23 budget monitoring took place. Budget monitoring is reported to the Joint Audit Committee (JAC) and BCB. Savings identified were specifically monitored as part of the budget monitoring process, showing an improvement in the arrangements in place.

The MTFP and budget are constructed in a similar fashion - with assumptions made to forecast the future movements in pay costs, non-pay inflation, pension costs, strategic investments, grant funding, growth and unavoidable costs. All components being governed by the same boards, so the FEB and BCB. This enables all of the strands that impact on the finances of both corporation soles to be reviewed together. In the 2021/22 outturn reports a spend of £160.5 million against a budget of £161.6 million, and underspend of £1.162m. The 2022/23 outturn reports a spend of £170.8 million against a budget of £171.5 million and underspend of £753k.

For 21/22 the total usable reserve was increased from £16.4 million to £21.19 million and further to £23.6 million in 22/23 and to £27.16 million. Having adequate levels of reserves ensures that the Force has a contingency to use should an unexpected event occur, or if financial plans did not materialise as expected.

The final outturn reports reveal that no unplanned use of reserves occurred for 21/22 or 22/23.

Budget monitoring took place throughout the year. Month-end and year-end timetables are set in advance so that financial reporting and budget monitoring can happen in a timely manner.

Monthly reports are taken to the quarterly BCB meetings that outline the forecast revenue outturn position at that point in time and discuss the reasons for over and underspends. The position against the capital plan is also reviewed. Throughout the year, the reasons for variations from budget are clearly identified so that remedial action can be taken if necessary.

The 2023/24 outturn reports a spend of £177.5 million against a budget of £178.2 million. While unaudited, it gives additional assurance that arrangements are in place to manage its finances.

Recommendations raised in the prior year auditor's annual report have been satisfactorily addressed by the PCC and CC.

### Conclusion

*The PCC and CC has adequate arrangements in place to plan and monitor its financial resources so that it can deliver services. However, we draw attention to the increasing savings requirement for the MTFs period ending 26/27 and the financial challenges that will bring in the coming years.*



# Governance

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### Auditor's commentary on arrangements

#### Areas reviewed

- ***Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.***
- ***Effective systems and processes are in place to ensure budgetary control, to communicate relevant, accurate and timely management information, support statutory financial reporting requirements and ensure corrective action is taken where needed, including in relation to significant partnerships.***
- ***The Authority makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency***

During 2021/22 and 2022/23 the Joint Audit Committee's responsibilities continued to include those relating to corporate governance, risk management, internal audit and anti-fraud.

The Joint Audit Committee (JAC) Terms of Reference state that part of the purpose of the JAC is to provide independent advice and recommendations, to the Commissioner and Chief Constable, on the adequacy of the governance and risk management framework and the associated control environment. This includes monitoring the effective development and operation of risk management and making recommendations as appropriate.

The JAC meets quarterly and is made up of representatives from the PCC and CC and independent members.

The OPCC has a Risk Management Strategy, also endorsed by the JAC, its purpose is to ensure that risk management is embedded into the governance structure and that it effectively underpins and enables the business. The risk strategy sets out the PCC's controls assurance mechanisms, responsibilities within the OPCC and the relationship with the Constabulary risk management processes. The Corporate Risk Register (CRR) is held on the 4Risk system with a review process monitored by the Risk and Change Officer, who reports to the Risk Review Board (RRB) chaired by the Deputy Chief Constable. The RRB reviews both Organisational Support and Cambridgeshire only risks and challenges risk owners on their actions and other mitigations to manage their risks. Monthly RRBs are held and Strategic risks reported through to FEB monthly. The RRB reports by exception through the governance structure with a copy of the CRR to the JAC. A joint strategic risk register is in place with the Constabulary and endorsed by the JAC.

Both the Police and Crime Commissioner and the Chief Constable are responsible for conducting a review of the effectiveness of the governance framework, including the system of internal controls, at least annually in their respective organisations. The review is informed by various sources including the Head of Internal Audit Opinion, which is based on work done during the year by internal audit. The internal audit delivery is outsourced to RSM. We consider an IA function key to the arrangements from which the Audit Committee obtains assurances over the effective operation of internal controls.



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The IA programme is reviewed annually by the JAC and is informed by risk. In their annual report, IA affirmed that their internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

In 2021/22 and 2022/23 IA concluded that reasonable progress had been made on the implementation of the actions identified from the 2020/21 and 21/22 review respectively.

For 2021/22 the Bedfordshire, Hertfordshire, Cambridgeshire (BCH) reports were issued for areas that are shared between the collaborating organisations, 5 audits were conducted and 1 follow up review was conducted.

For 2022/23 the Bedfordshire, Hertfordshire, Cambridgeshire (BCH) reports were issued for areas that are shared between the collaborating organisations 5 audits were conducted and 1 follow up review was conducted.

IA's overall Annual Opinion for both the PCC and CC in 2021/22 and 2022/23 is "adequate and effective framework for risk management, governance and internal controls. However, our work has identified further enhancements to the framework of risk management, governance and internal controls to ensure that it remains adequate and effective."

As previously mentioned in the Financial Sustainability section, Budgetary Control is a regular area of review by IA. Internal also performed an audit of the governance arrangements and risk management in the year.

IA attend and provide progress reports to the JAC meetings and review of JAC Meeting minutes.

IA's Annual Plan covers a mix of assurance and advisory projects as well as BCH Collaborative Plan. Progress on the implementation of IA recommendations is also monitored by the JAC. This is described further under the Improving economy, efficiency and effectiveness section. Our review of the IA reports did not highlight any significant control assurance gaps represented by "Minimal Assurance" or "Partial Assurance" type opinions.

The Constabulary has a collaborated Professional Standards Department (PSD) with Bedfordshire and Cambridgeshire Constabularies. Professional Standards covers: Anti-corruption, complaints and conduct, Business management and vetting. The department also has a 'BCH Professional Standards Reporting concerns (whistleblowing)' policy, that applies to police officers, police staff and any others acting on behalf of the constabulary.

Other arrangements include Gifts, Gratuity and Hospitality and Gifts, Gratuity and Hospitality registers and decision-making policy.

We have seen the OPCC Gifts, Gratuity and Hospitality Policy, the purpose of which is to provide guidance to the PCC and all staff of the OPCC in Cambridgeshire, as to the acceptance of gifts, gratuities, and hospitality. Gifts and hospitality logs are also maintained and available on both the PCC and Chief Constable websites.

Recommendations raised in the prior year auditor's annual report have been satisfactorily addressed by the PCC and CC.

### Conclusion

*We have not identified any significant weaknesses in the Governance arrangements for 2021/22 and 2022/23.*



**For more information:****Rachel Brittain**

Engagement Lead

e: [Rachel.brittain@bdo.co.uk](mailto:Rachel.brittain@bdo.co.uk)

m: +44 (0)7971 716 487

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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