

Annual Governance Report

July 2006



Annual governance report

Humberside Police Authority

Audit 2005/06

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 reports to the Authority

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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2006

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

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

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Purpose of this report	5
Scope of the report	5
Key messages	7
Financial statements	7
Use of resources	7
Financial statements	8
Status of the audit	8
Matters to be reported to the Audit Committee	8
Next steps	11
Use of resources	12
Value for money conclusion	12
Use of auditors' statutory powers	13
Closing remarks	14
Appendix 1 – Audit responsibilities and approach	15
Audit objectives	15
Approach to the audit of the financial statements	16
Approach to audit of arrangements to secure value for money	16
Appendix 2 – Audit reports issued	18
Appendix 3 – Fee information	19
Appendix 4 – The Audit Commission's requirements in respect of independence and objectivity	20
Appendix 5 - Audit Commission's VFM criteria	21
Appendix 6 – Independent auditor's report to Humberside Police Authority	23
Independent auditor's report to the Members of Humberside Police Authority	23
Respective responsibilities of the Chief Finance Officer and auditors	23
Basis of audit opinion	24
Opinion	24

4 Annual governance report | Contents

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources	25
Best Value Performance Plan	26
Certificate	26
Appendix 7 – Letter of representation - Humberside Police Authority Annual Accounts 2005/06	27
Appendix 8 – Action Plan	29

Purpose of this report

- 1 We are required by the Audit Commission's statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from our audit work. For the purposes of this report, the Full Police Authority is considered to fulfil the role of those charged with governance and references to the Police Authority should be read as such.
- 2 We are also required by professional auditing standards to report to the Police Authority certain matters before we give our opinion on the financial statements. The section of this report covering the financial statements fulfils this requirement.
- 3 This is our annual governance report covering the audit of the Authority for the year ended 31 March 2006 and is presented by the District Auditor.
- 4 The principle purposes of the report are:
 - to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Police Authority;
 - to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
 - to provide the Police Authority with recommendations for improvement arising from the audit process.
- 5 The Audit Commission has circulated to all audited bodies a Statement of Responsibilities of Auditors and Audited Bodies that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement.

Scope of the report

- 6 In undertaking our audit, we comply with the statutory requirements of the Audit Commission Act 1998 and the Code. Auditors' responsibilities are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:
 - the Authority's financial statements; and
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 Our risk assessment and planned response to the key audit risks was summarised in our audit and inspection plan. A summary of our responsibilities and audit approach is included in Appendix 1. The annual governance report summarises the significant findings, conclusions and recommendations arising from our audit work.

- 8 We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2. Appendix 3 provides information about the fee charged for our audit and Appendix 4 sets out the requirements in respect of independence and objectivity.

Key messages

Financial statements

- 9 Our work on the financial statements is now substantially complete, although there are still some outstanding issues to be resolved. In particular, our work on debtors and creditors has yet to be concluded. In accordance with professional standards we will raise any other matters identified in concluding our work with the Chair of the Authority (or through any suitable alternative mechanism that we agree).
- 10 Subject to the satisfactory conclusion of the work outstanding, we anticipate being able to issue an unqualified opinion by 30 September 2006 (a draft report is attached at Appendix 6).
- 11 New statutory requirements in 2005/06 meant that the Authority had to plan and deliver a shorter close-down process to meet a deadline for publishing audited accounts that has been shortened by a month. The Authority achieved its plan and the relatively minor issues that we raise in this report demonstrate the Authority's success in meeting this challenge.

Use of resources

- 12 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. In undertaking this work we have regard to the twelve criteria published by the Audit Commission and our assessment is informed by our findings in certain key lines of enquiry completed by us as part of our wider use of resources work which informs the HMIC assessment. We anticipate being able to issue an unqualified conclusion on the use of resources by 30 September 2006 except for the Authority's failure to put in place adequate arrangements for managing performance against budgets (a draft report is attached at Appendix 6).

Financial statements

- 13 We are required to give an opinion on whether the Authority's financial statements present fairly the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Status of the audit

- 14 Our work on the financial statements is now substantially complete, although there are still some outstanding issues to be resolved. In particular, our work on debtors and creditors has yet to be concluded. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with the Authority Chair (or through any suitable alternative mechanism that we agree)

Matters to be reported to the Audit Committee

- 15 We have the following matters to draw to the Audit Committee's attention.

Expected modifications to the auditor's report

- 16 On the basis of our audit work, subject to the satisfactory conclusion of any work outstanding reported above, we currently propose to issue an unqualified audit report. A draft audit report is attached at Appendix 6.

Uncorrected misstatements

- 17 Our audit identified one misstatement in the financial statements that management has decided not to adjust (excluding those misstatements that are 'clearly trivial' as defined in professional auditing standards). Our work suggests that the Authority may have set aside more monies that will be needed to deal with the impact of bad debts. The amount of this over provision could be £100,000. However, officers have told us that they plan to review the calculation of the bad debt provision in producing the 2006/07 financial statements and we do not therefore make any recommendation in relation to this matter in this report.

Adjusted misstatements

- 18 To assist you in fulfilling your governance responsibilities, we are required to consider reporting adjusted misstatements to you where these are material. We have provided a complete listing of all amendments to officers. None of the amendments had an impact upon the financial position of the Authority at 31 March 2006. They related to incorrect classification of entries within the statements rather than any failure to actually bring transactions into the accounts. The areas concerned included debtors and creditors, the analysis of reserves and the allocation of past service costs for pensions over the headings required by the Best Value Accounting Code of Practice.

Qualitative aspects of accounting practices and financial reporting

- 19 Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. We have the following issues to report to you.
- the approach to the treatment of reserves in the financial statements can be improved to ensure that they reflect the Authority's considered view as to its commitments;
 - working papers supporting the debtors and creditors values should be improved to provide a clearer audit trail to support the values in the statement of accounts; and
 - the cumulative income and expenditure of Operation Lifestyle shown as a net balance of £181,000 in creditors is an incorrect accounting treatment and needs to be corrected in 2006/07.

Recommendations

- R1 A full review of all the specific reserves be carried out to identify those that are still needed and been agreed by the Authority, and those reserves that have been built up to support the medium term financial position of the Authority, these should be included as a general reserve.*
- R2 Ensure that for the 2006/07 statement of accounts that the debtor and creditor balances have adequate supporting working papers reconciling back to the prime documentation.*
- R3 Ensure for the 2006/07 statement of accounts that Operation Lifestyle income, expenditure and balance is correctly treated within the statements of accounts.*

Material weaknesses in internal control identified during the audit

- 20 Our audit identified no significant weaknesses in systems of accounting and financial control which we should report to you.
- 21 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.

Matters specifically required by other auditing standards

- 22 Other auditing standards require us to communicate with you in other specific circumstances including:
- where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
 - non-compliance with legislative or regulatory requirements and related authorities.

We have no issues to report to you.

Any other matters of governance interest

- 23 Finally, we are required to report any other matters that we believe to be of governance interest. We report these matters in Table 3 below.

Table 1 Other matters of governance interest

There are a number of other matters that we would like to bring to the attention of those charged with governance

Area	Auditor responsibility	Impact
Statement of internal control (SIC)	The auditor reviews the SIC for compliance with the requirements of proper practice as specified by CIPFA and consistency with other information from the audit of the financial statements.	The SIC complies with the CIPFA requirements and is not inconsistent with other information from the audit of the financial statements.
Whole of Government Accounts' consolidation pack	The auditor is responsible for issuing a report on the consistency of the Authority's consolidation pack with the statutory financial statements.	This work is still to be completed.

Letter of representation

- 24 We obtain written representations from management as an acknowledgement of its responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. A specimen text of the required letter of representation is included at Appendix 7.

Next steps

25 We are drawing these matters to the Police Authority's attention so that:

- you can consider them before the financial statements are approved and certified; and,
- the representation letter can be signed on behalf of the Authority and those charged with governance before we issue our opinion on the financial statements.

Use of resources

Value for money conclusion

- 26** The Code requires us to issue reach a conclusion on whether we are satisfied that the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of your resources (the value for money conclusion). In meeting this responsibility, we review evidence that is relevant to the Authority's corporate performance management and financial management arrangements. Our work in reaching the value for money conclusion is integrated with our work on the use of resources assessment and reflects the twelve criteria set out by the Audit Commission to which auditors must have regard. The use of resources assessment is a qualitative assessment of the effectiveness of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. The five areas we make assessments on are: financial statements, financial management, financial standing, internal control and value for money.
- 27** On the basis of our audit work, we currently propose to issue an unqualified value for money conclusion except for the Authority's failure to put in place adequate arrangements for managing performance against budgets. We observed that new arrangements (such as RPAF) are now in place but they are yet to demonstrate a track record of effectiveness particularly in relation to the management of in year resources.
- 28** The key findings from our work on the use of resources criteria are summarised in a more detailed interim report that will be presented to the Audit and Strategy Committee.

Use of auditors' statutory powers

- 29 Auditors are required to consider the exercise of certain statutory powers during the course of the audit, as summarised in Table 5 below.

Table 2 Use of statutory powers

Insert text

Issue	Auditor responsibility	Impact
Section 8 reports	Section 8 of the Act requires that auditors should consider whether, in the public interest, they should report on any matter that comes to their attention in the course of the audit so that it may be considered by the body concerned or brought to the attention of the public.	There have been no section 8 reports in respect of the financial year 2005/2006.
Section 11 recommendations	To consider whether a written recommendation should be made to the audited body requiring it to be considered and responded to publicly.	There have been no s11 recommendations.
Best value	To consider whether to recommend that the Audit Commission should carry out a best value inspection of the Authority under section 10 of the Local Government Act 1999 and/or that the Secretary of State should give a direction under section 15 of that Act.	Our work in respect of the Authority's 2005/2006 Best Value Performance Plan (BVPP) was reported in the 2005 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

Closing remarks

- 30 This report has been discussed and agreed with the Director of Performance and Resources and will be presented to the Full Police Authority meeting on 19 September 2006.
- 31 The report makes a number of recommendations. An action plan is included at Appendix 7, which includes responses from management and indicative target dates for the implementation of recommendations.
- 32 The Authority and the Force have taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the Authority's assistance and co-operation.

Michael Newbury
District Auditor

September 2006

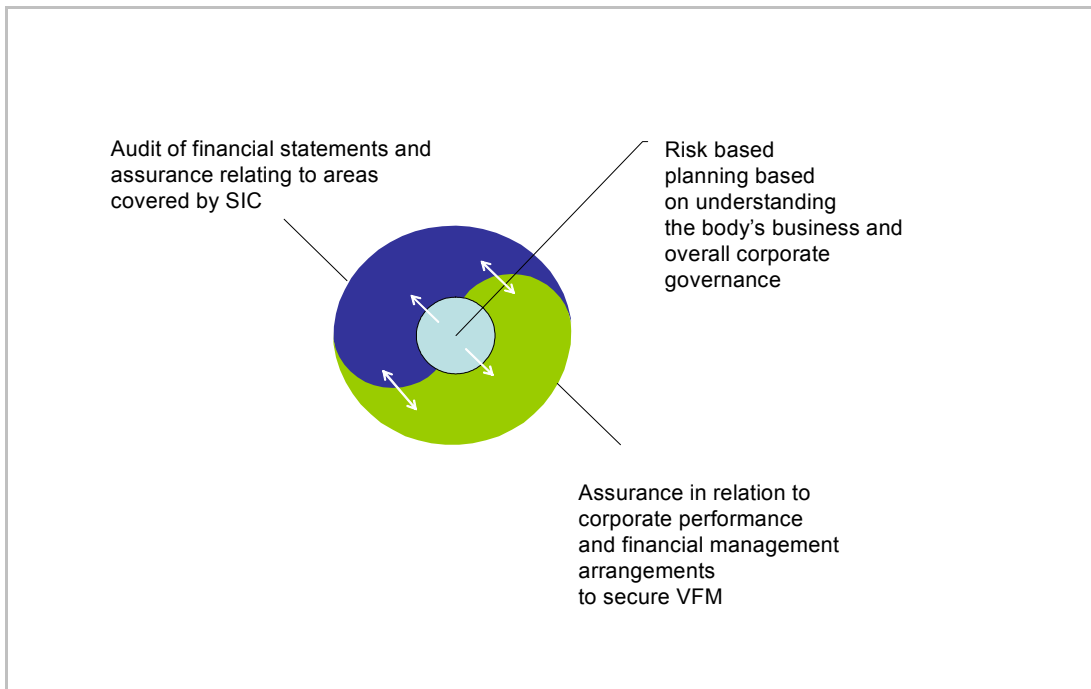
Appendix 1 – Audit responsibilities and approach

Audit objectives

- 1 Our objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on the significant risks that are relevant to our audit responsibilities.

Figure 1 Code of Audit Practice

Code of practice responsibilities



Approach to the audit of the financial statements

- 2 In our approach to auditing the financial statements, we adopt a concept of materiality. Material errors are those which might be misleading to a reader of the financial statements. We seek, in planning and conducting our audit of the accounts, to provide reasonable assurance that your financial statements are free of material misstatement. In planning our work we considered the arrangements of the Authority which had most impact on our opinion. These included:
 - the standard of the overall control environment and internal controls;
 - reliance on internal audit;
 - the likelihood of material misstatement occurring from of material information systems; or a material error failing to be detected by internal controls;
 - any changes in financial reporting requirements; and
 - the effectiveness of procedures for producing the financial statements and supporting material.
- 3 The results of the above feed into our risk assessment which determines the level and type of testing undertaken on each element of the financial statements. The keys risks that we identified include:
 - Ensuring that the recommendations agreed by members were correctly represented in the statement of accounts; and
 - That new process for identifying and recording debtors and creditors at the year end provided both materially accurate accruals but also that an adequate audit trail was produced.

Approach to audit of arrangements to secure value for money

- 4 The scope of these arrangements is defined in paragraph 20 of the Code as comprising:
 - corporate performance management; and
 - financial management arrangements.
- 5 Our conclusion is informed and limited by reference to relevant criteria covering specific aspects of audited bodies' arrangements, specified by the Code.

- 6 In planning audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, considered and assessed relevant significant business risk. Significance is defined by the Code as 'a matter of professional judgment and includes both quantitative and qualitative aspects of the risk'.
- 7 The potential sources of assurance when reaching the value for money conclusion include:
 - the Authority's whole system of internal control as reported in its statement on internal control;
 - results from statutory inspections or the work of other regulators, for example, corporate assessments, service assessments (whether by the Commission or other regulators), etc.;
 - work specified by the Audit Commission, for example, the use of resources assessments, and data quality work;
 - links to the financial statements' audit, including review of internal audit, the SIC and budgetary control arrangements; and
 - other work necessary to discharge our responsibilities.

Appendix 2 – Audit reports issued

Table 3

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit and inspection plan	31.03.05	May 2005	Audit Committee
Annual governance report	23.09.06	23.09.06	Audit Committee
Opinion on financial statements	30.09.06	draft attached	The Authority
Value for money conclusion	30.09.06	draft attached	The Authority
Final accounts memorandum	31.10.06		Management
Interim Police Use of Resources assessments	31.08.06	draft discussed with management	Management
BVPP report	31.12.06		The Authority
Police Crime Recording	April 06	April 06	Management
Activity Based Costing	April 06	April 06	Management
Tackling Drugs Misuse Through Joint Working - North East Lincolnshire Partnership Agencies	31.3.06	April 2006	Management

Appendix 3 – Fee information

Table 4

Fee estimate	Plan 2005/06 £	Actual 2005/06 £
Audit		
Accounts	45,657	45,657
Use of resources	28,735	28,735
Total audit fees	74,392	74,392
Voluntary improvement work	Nil	Nil

Appendix 4 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required by the standard to communicate following matters to the Audit Committee:
 - the principal threats, if any to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
 - any safeguards adopted and the reasons why they are considered to be effective;
 - any independent partner review;
 - the overall assessment of threats and safeguards; and
 - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.

Appendix 5 - Audit Commission's VFM criteria

Table 5 VFM criteria and sources of assurance

Criteria	Sources of Assurance and cross-reference to Police Use of Resources Key Lines of Enquiry (KLOE)
1. The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	KLOE 5 informed by cumulative audit knowledge and experience (CAKE) and HMIC feedback.
2. The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	KLOE 5 informed by cumulative audit knowledge and experience (CAKE) and HMIC feedback.
3. The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	KLOE 5 informed by cumulative audit knowledge and experience (CAKE) and HMIC feedback.
4. The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members. (applies to BV authorities only)	Review of crime recording data and data quality.
5. The body has put in place arrangements to maintain a sound system of internal control.	KLOE 4.2.
6. The body has put in place arrangements to manage its	KLOE 4.1.

significant business risks.	
7. The body has put in place arrangements to manage and improve value for money.	KLOE 5.2.
8. The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities. (not applicable to local/town councils, joint committees and internal drainage boards)	KLOE 2.1.
9. The body has put in place arrangements to ensure that it's spending matches its available resources.	KLOE 3.1.
10. The body has put in place arrangements for managing performance against budgets.	KLOE 2.2.
11. The body has put in place arrangements for the management of its asset base.	KLOE 2.3.
12. The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	KLOE 4.3.

Auditors are prompted by Audit Commission guidance to consider the most appropriate VFM conclusion on the basis of the evidence obtained in relation to the sources of assurance detailed above. Where authorities fail to achieve minimum requirements in a given area this would normally give rise to an except for comment by the auditor in the VFM conclusion. This does not necessarily mean that arrangements are not yet in place but rather that they are yet to achieve their planned level of effectiveness.

Appendix 6 – Independent auditor’s report to Humberside Police Authority

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

Opinion on the financial statements

I have audited the financial statements of Humberside Police Authority for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Revenue Account, Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Humberside Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer is responsible for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA’s guidance: "The Statement on Internal Control in Local Government: Meeting the requirements of the Accounts and Audit Regulations 2003". I report if it does not comply with proper practices specified by CIPFA 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 statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

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 financial statements 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 financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Michael Newbury
Audit Commission
Kernel House

Killingbeck Drive
Killingbeck
Leeds

Date

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

Authority’s Responsibilities

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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor’s Responsibilities

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 principal local 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.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority’s best value performance plan and issue a report:

- certifying that I have done so;

- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Humberside Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006 except for its failure to put in place adequate arrangements for managing performance against budgets.

Best Value Performance Plan

I issued my statutory report on the audit of the authority’s best value performance plan for the financial year 2005/06 on 30 December 2005. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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.

Michael Newbury
Audit Commission
Kernel House
Killingbeck Drive
Killingbeck
Leeds

Date

Appendix 7 – Letter of representation - Humberside Police Authority Annual Accounts 2005/06

- 3 Management representations are a useful means for auditors to gain assurance over the completeness and accuracy of information included in your financial statements. In line with ISA+580 Management Representations I wish to request that the Authority formally inform me of any issues that may affect the audit opinion on the 2005/06 annual accounts.
- 4 The aim is to ensure that the officers have collectively considered all material issues that could have a bearing on the audit opinion and drawn any to our attention. Therefore, I would be grateful if you could please provide the following representations:
 - You acknowledge your responsibility for preparing annual accounts which show a true and fair view and for making accurate representations to us.
 - Statement of Accounting policies disclosed in the accounts accurately reflects the accounting policies which the Authority has applied during 2005/6.
 - There are no significant contingent liabilities other than those disclosed in Note 15 to the annual accounts.
 - There are no significant post balance sheet events which require disclosure in the annual accounts.
 - All transactions undertaken by the Authority have been properly reflected and recorded in the accounting records, in accordance with the CIPFA Statement of Recommended Practice for Accounts and relevant financial reporting standards.
 - There have been no:
 - irregularities, including fraud, involving management who have significant roles in the system of internal financial control
 - irregularities, including fraud, involving other employees that could have a material effect on the financial statements
 - communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the annual accounts.
 - There are no plans or intentions that may affect the valuation or classification of assets and liabilities.
 - All material leasing arrangements that the Authority has entered into have been correctly reflected and disclosed in the annual accounts in accordance with SSAP21 (Accounting for Leases and Hire Purchase Contracts) and FRS5 (Reporting the Substance of Transactions).

- The Authority has not entered into and is not at an advanced stage of pursuing any Private Finance Initiative (PFI) transactions.
 - In accordance with FRS 8, registers of interests are complete and up to date in respect of directors and key managers and there are no material transactions with related parties, other than those disclosed in Note 10 to the revenue account in the annual accounts.
 - There are no known instances of non-compliance with laws or regulations likely to have a significant effect on the finances or operations of the Authority.
 - There are no significant pending litigations, proceedings or claims, other than those disclosed in the annual accounts.
 - The provisions of the Authority, have been fairly stated and are in accordance with the principles outlined in FRS12 (Provisions, contingent liabilities and contingent assets)
 - There are no other material stock balances other than those which have been properly recorded and disclosed in the annual accounts.
 - Where the Authority has declared a stock balance in the 2005/6 financial statements, these balances have been valued and accounted for in accordance with SSAP 9- Stocks and Long-term Contracts.
 - Where the Authority decides not to amend the statement of accounts for non-trifling misstatements, provide me with a representation as to why the Authority decided not to amend the accounts.
- 5 If you are unable to provide representations in relation to any of the above points, please can you provide the relevant details? Such information will assist in the completion of our audit and provide assurance as to the accuracy and completeness of the Authority's annual accounts.
- 6 If, during the progress of the audit, I identify any additional issues upon which management representations are considered appropriate, then I will let you know at the earliest opportunity.
- 7 In dealing with this request, I would ask that your letter of representation be:
- formally acknowledged by the Authority at its meeting on 19 September 2006
 - dated on, or shortly before, the date that I sign the audit opinion
 - signed by you, confirming that you have made appropriate enquiries of other officials of the Authority.

Appendix 8 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<p>R1 A full review of all the specific reserves be carried out to identify those that are still needed and been agreed by the Authority, and those reserves that have been built up to support the medium term financial position of the Authority, these should be included as a general reserve.</p> <p>R2 Ensure that for the 2006/07 statement of accounts that the debtor and creditor balances have adequate supporting working papers</p>	2				

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	reconciling back to the prime documentation. R3 Ensure for the 2006/07 statement of accounts that Operation Lifestyle income, expenditure and balance is correctly treated within the statements of accounts.					