

Audit Plan

---

Date

---

Last saved: 22/11/2006 12:54:00

# Audit Plan

**Humberside Police Authority**

**Audit 2006/2007**

<b>Document Control</b>	
Author	Matthew Moore
Filename	revised Audit Plan

### **Status of our reports to the Authority**

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any director/member or officer in their individual capacity, or to 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](http://www.audit-commission.gov.uk)

# Contents

<b>Introduction</b>	<b>4</b>
Our responsibilities	4
<b>The fee</b>	<b>5</b>
<b>Summary of key audit risks</b>	<b>6</b>
Value for money conclusion	6
Data quality audit	7
Police reorganisation	7
Best Value Performance Plan	7
Financial statements	7
The Fee	8
Assumptions	9
Whole of government accounts	10
<b>Other information</b>	<b>11</b>
The team	11
<b>Future audit plans</b>	<b>12</b>
<b>Appendix 1- Criteria to inform the auditor's conclusion on proper arrangements for securing economy, efficiency and effectiveness in the use of resources</b>	<b>13</b>
<b>Appendix 2- Planned outputs</b>	<b>15</b>
<b>Appendix 3- The Audit Commission's requirements in respect of independence and objectivity</b>	<b>16</b>

## Introduction

- 1 This plan sets out the audit work that we propose to undertake in 2006/07. The plan has been drawn up from our risk-based approach to audit planning and reflects:
  - our responsibilities under the Code of Audit Practice;
  - work specified by the Audit Commission for 2006/07;
  - your local risks and improvement priorities; and
  - current national risks relevant to your local circumstances.

## Our responsibilities

- 2 In carrying out our audit duties, we have to comply with the statutory requirements governing them, and in particular:
  - the Audit Commission Act 1998;
  - the Code of Audit Practice (the Code); and
  - the Local Government Act 1999.
- 3 The Code defines auditors' responsibilities in relation to:
  - the financial statements of audited bodies; and
  - audited bodies' arrangements for securing economy, efficiency and effectiveness in their use of resources. Auditors are now required to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources.

## The fee

- 4 For 2006/07, the Audit Commission has changed its fee scale structure and details are set out in the Commission's Work Programme and Fee Scales 2006/07. Audit fees are based on a number of variables, including the type, size, location and complexity of the audited body and the national and local risks. The inflation increase to the fees is proposed at 5% with 2.5% being added to fees and 2.5% being incorporated as an efficiency saving.
- 5 The total fee estimate for Humberside Police Authority for 2006/07 is £79,446 (2005/06: £74,392). This fee includes all work identified in this plan unless specifically excluded. Further details are provided on page 9 which includes the assumptions made when determining the audit fee and the process for agreeing any additional fees.
- 6 Changes to the plan and the fee may be necessary if our risk assessment changes during the course of the audit. We will formally advise you of any changes if this is the case.

DRAFT

## Summary of key audit risks

- 7 This section summarises our assessment and the planned response to the key audit risks which may have an impact on our objectives to:
  - provide an opinion on your financial statements;
  - provide a conclusion on your use of resources;
  - carry out audit work as specified by the Audit Commission; and
  - provide a report on the Authority’s best value performance plan.
- 8 In assessing risk, we have taken account of the national risks identified by the Audit Commission, reviewed your minutes and agendas, discussed issues with the Director of Performance and Resources and Assistant Chief Officer (support). Also we have held internal discussions both within the audit team, and across the Humberside Audit Community
- 9 Our planned work takes into account information from other regulators, where available. Where risks are identified that are not mitigated by information from other regulators, or your own risk management processes, including internal audit, we will perform work as appropriate to enable us to provide a conclusion on your arrangements.
- 10 The expected outputs from this work are outlined in Appendix 2

## Value for money conclusion

- 11 We will focus our work so as to enable us to conclude whether you have put in place proper arrangements to secure economy, efficiency and effectiveness with regard to the use of resources (the value for money conclusion).
- 12 The Audit Commission has developed relevant criteria for auditors to apply in reaching our value for money conclusion as required under the Code of Audit Practice. These criteria are listed in Appendix 1 Sources of assurance will include the auditor’s cumulative knowledge and experience including the results of previous work and the work of other regulatory agencies (including Internal Audit).
- 13 The Police Use of Resources will be directly aligned to the VFM conclusion that auditors have to give to the Authority.
- 14 From our initial risk-based planning assessment, we have identified the following areas of audit risk to be addressed.

**Table 1 Summary of use of resources audit risks**

Audit risk	Response
Working in partnership with other	Carry out a cross-cutting study in C

public sector providers is becoming increasingly important, and BCUs and their partners will provide the key local focus for policing if the Authority is regionalised / merged.	Division, D Division, B Division in conjunction with the local strategic partnerships in those areas using Treatment of Drugs misuse as a tracer. (A division had this work done in 2005/06)
--	--

## Data quality audit

- 15 The audit guide for the Police data quality review has now been published and the 2006/07 reviews will reflect both the extent of improvement already seen in the data supporting some PPAF performance indicators, and the wider Home Office priorities for its data quality assurance programme:
- Reviews should be proportionate, taking account of relevant previous results and the level
- 16 We expect this work to be funded separately by the Home Office and, therefore, it is not included in the fee contained in this plan.

## Police reorganisation

- 17 Due to the decision to suspend any reorganisation plans the potential for this piece of work has been removed. As there was no time in the original plan this does not have any implications for the fee that has been agreed.

## Best Value Performance Plan

- 18 We are required to consider and report on whether or not you have complied with legislation and statutory guidance in respect of the preparation and publication of your Best value performance plan (BVPP). We have assumed that this audit will continue to present relatively few difficulties, and consequently have included only a limited amount of time in this plan.

## Financial statements

- 19 We will carry out our audit of the 2006/07 financial statements and comply with the International Standards on Auditing UK and Ireland (ISA UKIs).
- 20 We are also required to review whether the Statement on Internal Control has been presented in accordance with relevant requirements and to report if it does not meet these requirements or if the Statement is misleading or inconsistent with our knowledge of the Authority.
- 21 On the basis of our preliminary work to date we have identified the following audit risks.

**Table 2 Summary of opinion risks**

Opinion risks	Response
Changes to the Police Pension arrangements	Carry out in conjunction with the Force finance staff a review of the arrangements that they are planning to put in place.
SORP 2006 changes	Review the arrangements that the finance staff are putting in place to ensure that all SORP 2006 changes are met
2006/07 will be the second year that your officers have had to produce accounts by end of June. This timetable puts considerable pressure on the finance staff	In conjunction with your staff we will review the 2005/6 closedown and audit process and amend them where appropriate for 2006/07.

## The Fee

**Table 3 Audit Fee**

Fee estimate	Plan 2006/07	Plan 2005/06
Audit		
Accounts	47,007	45,657
Use of resources	32,439	28,735
Total audit fee	79,445	74,392
Grant claim certification	*	2,757
Voluntary improvement work		

*\*No longer required by the Home Office*

- 22** The total audit fee compared to the indicative fee banding equates to 12 per cent above the mid-point
- 23** The fee (plus VAT) will be charged in 9 equal instalments from June 2006 to Feb 2007.
- 24** The fee above includes all work contained in this plan except:
- any work which auditors may be required to do to give a formal Use of Resources judgement over and above that required to meet our responsibilities under the Code of Audit Practice, as discussed in paragraph 13. This work is yet to be specified and agreed;

- any work required in relation to the Whole of Government Accounts (discussed in paragraph 29);
- data quality audit work as discussed in paragraph 16, which we expect to be funded by the Home Office; and

## Assumptions

- 25** In setting the fee, we have assumed:
- You will inform us of significant developments impacting on the audit
  - Internal audit meets the appropriate professional standards
  - Internal audit undertakes appropriate work on all material systems that provide figures in the financial statements sufficient that we can place reliance for the purpose of our recognising the shift in requirements introduced by the International Standards on Auditing UK and Ireland
  - Management will provide good quality working papers and records to support the accounts
  - Management will provide requested information within agreed timescales; and
  - Management will provide prompt responses to draft reports.
- 26** Where these requirements are not met, we will be required to undertake additional work which is likely to result in an increased audit fee.
- 27** If we need to amend the audit fee during the course of this plan, we will firstly discuss this with the Director of performance and resources. We will then discuss any changes to the plan with the Audit and Strategy Committee. Changes may be required if:
- New risks emerge;
  - Additional work is required of us by the Audit Commission or other regulators; and
  - Additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.
- 28** We have yet to undertake the audit of the 2005/06 financial statements and our 2006/07 financial statement audit planning will continue as the year progresses. This will take account of:
- the 2005/06 opinion audit;
  - our documentation and initial testing of material systems;
  - our assessment of the closedown arrangements; and
  - any changes in financial reporting requirements.
- 29** When we have finalised our risk assessment in respect of your financial statements, we will issue a separate plan in advance of the audit detailing our specific approach, including any impact on the fee quoted above.

## Whole of government accounts

- 30 The Government is introducing Whole of Government accounts (WGA) in order to produce consolidated accounts for the whole public sector. WGA will include the accounts of local authorities and WGA data returns will be required to be audited. The Audit Commission is currently discussing the scope of the likely audit work with stakeholders. The fee for this work is not included in this plan and we will discuss this with the Director of Performance and Resources when further details are available. The guidance that we have received is that for Humberside the fee scales will be in the range of £1,330 - £2,660. The commission will be writing to you shortly informing you of the supplementary fee.

DRAFT

## Other information

### The team

**Table 3**

<b>Name</b>	<b>Title</b>	<b>E-Mail Address</b>
M Newbury	District Auditor	<a href="mailto:m-newbury@audit-commission.gov.uk">m-newbury@audit-commission.gov.uk</a>
M Moore	Audit Manager	<a href="mailto:m-moore@audit-commission.gov.uk">m-moore@audit-commission.gov.uk</a>
D Morton	Area Performance Lead	<a href="mailto:d-morton@audit-commission.gov.uk">d-morton@audit-commission.gov.uk</a>
J Sinclair	Audit Team Leader	<a href="mailto:j-sinclair@audit-commission.gov.uk">j-sinclair@audit-commission.gov.uk</a>

- 31 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.
- 32 We comply with the ethical standards promulgated by the Auditing Practices Board and with the Commission's requirements in respect of independence and objectivity as set out at Appendix 3.

## Future audit plans

- As part of our planning process, we have taken the opportunity to look at potential issues for future years' programmes. We will discuss these in more detail as the audit year progresses.

DRAFT

## **Appendix 1- Criteria to inform the auditor's conclusion on proper arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Arrangements for establishing strategic and operational objectives and for determining policy and making decisions**

- 1 The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.

### **Arrangements for ensuring that services meet the needs of users and taxpayers, and for engaging with the wider community**

- 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.

### **Arrangements for monitoring and reviewing performance, including arrangements to ensure data quality**

- 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.
- 4 The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.

### **Arrangements for ensuring compliance with established policies, procedures, laws and regulations**

- 5 The body has put in place arrangements to maintain a sound system of internal control.

### **Arrangements for identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working**

- 6 The body has put in place arrangements to manage its significant business risks.

### **Arrangements for managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body and for ensuring compliance with the general duty of best value**

- 7 The body has put in place arrangements to manage and improve value for money.

**14** Audit Plan | Appendix 1- Criteria to inform the auditor's conclusion on proper arrangements for securing economy, efficiency and effectiveness in the use of resources

- 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.
- 9** The body has put in place arrangements to ensure that its spending matches its available resources.
- 10** The body has put in place arrangements for managing performance against budgets.
- 11** The body has put in place arrangements for the management of its asset base.

**Arrangements for ensuring that the audited body's affairs are managed in accordance with proper standards of conduct, and to prevent and detect fraud and corruption**

- 12** The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.

DRAFT

## Appendix 2- Planned outputs

- 1 Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

**Table 4**

<b>Planned output</b>	<b>Start date</b>	<b>Draft due date</b>	<b>Key contact</b>
Audit plan	1 February 2006	31 March 2006	Audit Manager
Revised Audit plan		November 2006	Audit Manager
Interim audit memorandum	1 February 2007	31 May 2007	Audit Manager
Report on financial statements to those charged with governance	August 2007	September 2007	Audit Manager
Opinion on financial statements	TBA	TBA	Audit Manager
VfM conclusion	TBA	TBA	Audit Manager
Final accounts memorandum	1 July 2007	October 2007	Audit Manager
Local performance work	Mar 2006	Sept 2006	Performance Lead
Annual Audit Letter	October 2007	16 December 2007	Audit Manager

## Appendix 3- The Audit Commission's requirements in respect of independence and objectivity

- 1 Auditors appointed by the Audit Commission are subject to the Code of Audit Practice (the Code), which includes the requirement to comply with ISA (UKI) when auditing the financial statements. The standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. Standards also place requirements on auditors in relation to integrity, objectivity and independence.
- 2 The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the Authority on matters which are considered to be of sufficient importance.
- 3 Auditors are required by the Code to:
  - carry out their work with independence and objectivity;
  - exercise their professional judgement and act independently of both the Commission and the audited body;
  - maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
  - resist any improper attempt to influence their judgement in the conduct of the audit.
- 4 In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Authority invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.
- 5 The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:
  - any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner or Regional Director;
  - audit staff are expected not to accept appointments as lay school inspectors;

- firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned;
- auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence;
- auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission;
- auditors are expected to comply with the Commission's policy for both the District Auditor/Partner and the second in command (Senior Manager/Manager) to be changed on each audit at least once every five years with effect from 1 April 2003 (subject to agreed transitional arrangements);
- audit suppliers are required to obtain the Commission's written approval prior to changing any District Auditor or Audit Partner/Director in respect of each audited body; and
- the Commission must be notified of any change of second in command within one month of making the change. Where a new Partner/Director or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.