

External audit progress report and briefing

September 2011

Humberside Police Authority

Audit 2010/11

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

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

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

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Introduction

- 1** The purpose of this paper is to provide the Resources Committee with a report on progress in delivering our responsibilities as your external auditors.
- 2** This update also seeks to highlight key emerging national issues and developments which may be of interest to members.
- 3** If you require any additional information regarding the issues included within this briefing, please feel free to contact me or Chris Hartley using the contact details at the end of this update.

Mark Kirkham

District Auditor

9 September 2011

Progress Report

Financial Statements

4 I presented my 2010/11 Audit Plan to the 15 March 2011 Finance Committee. The timetable for delivery of this plan is detailed in Appendix 1. To date I have:

- Completed my 'pre-statement' work and controls testing, including
 - Walkthrough of material financial systems;
 - Compliance testing of key controls; and
 - Review and testing of restated 2009/10 International Financial Reporting Standards (IFRS) based financial statements, and review of 2010/11 IFRS 'skeleton' accounts.
- Held regular meetings with key finance officers, to inform them of progress and provide timely notice of any issues arising.
- Completed my IT Risk Assessment (ITRA). I issued a separate draft report to management on 21 June 2011 which is currently subject to agreement and completion of an action plan. Whilst I have not identified any material risks of error or misstatement in the financial accounts from the ITRA, I have recognised some areas for improvement which will improve your IT governance arrangements.
- Commenced my 'post-statement' audit of the draft financial statements. I will report my findings in an Annual Governance Report (AGR) to be issued by 30 September 2011.

Significant risks

5 I have designated two audit risks as 'significant risks', which I am required to report to you. These are:

- Implementation of International Financial Reporting Standards (IFRS); and
- The degree of estimation uncertainty with regards to actuarial pension fund valuations.

6 This designation arises from our obligation to comply with International Standards on Auditing (UK&I), and means that I am required to carry out additional, specific audit procedures in order to mitigate the risk. This does not impact on the audit fee for 2010/11.

VFM Conclusion

7 I have issued my Value for Money (VfM) conclusion plan to the Deputy Chief Executive & Treasurer.

8 I have substantially completed my detailed assessment of VfM conclusion risks and further investigation of those risks.

9 I will review my findings prior to the date of issue of the VfM conclusion, to ensure that they are still valid. I will also carry out further work to investigate issues arising should I consider them to pose a risk to the VfM conclusion.

Additional audit work

10 Discussions are ongoing with regard to additional work to be carried out in respect of the transition to Police Commissioner arrangements. This work is being co-ordinated by the Audit Commission centrally through communication with the Chief Executive.

Other Matters of Interest

Future of the Audit Commission

11 The Department for Communities and Local Government (DCLG) has been considering the options for transferring the audit work of the Audit Commission's in-house audit practice to the private sector. Ministers have now decided the best value for money should be achieved by outsourcing the work through a procurement exercise.

12 DCLG has asked the Audit Commission to seek bids for the work currently undertaken by the in house audit practice. New contracts will be awarded for three or five years, commencing from the audit of the accounts for 2012/13. The Audit Commission will issue a Contract Notice in the Official Journal of the European Union in early September 2011.

13 The Audit Commission will award contracts in spring 2012 to allow new auditor appointments to be in place by 1 September 2012.

14 Because an auditor needs to be in place at the start of the financial year, an interim auditor appointment will cover the period from 1 April 2012 to 31 August 2012. To minimise disruption, it is proposed to extend current appointments to deal with any issues that may arise during that period. This 'interim' auditor's role will be limited to keeping a 'watching brief'. Any costs incurred by interim auditors will be paid by the Audit Commission.

Key Considerations

15 The Resources Committee is asked to note the contents of the report, seeking further assurances on external audit plan progress and other matters of interest where necessary.

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Appendix 1 Audit progress as at September 2011

Table 1: **Progress as at September 2011**

Activity/Planned outputs	Progress	Planned completion date
'Pre-statements' work and compliance testing	Complete. 2010/11 Audit Plan issued and IT Risk Assessment (ITRA) findings to be reported separately.	June 2011
'Post-statements' work and substantive testing	Work is currently ongoing and scheduled to be finished by the planned completion date. Findings will be reported separately within the Annual Governance Report (AGR).	September 2011
Progress meetings with key finance staff	Regular meetings held during accounts planning stage, to identify potential audit risks. Update meetings held with finance officers as part of ongoing post statements work.	Ongoing
Value for Money (VfM) conclusion	Detailed risk assessment completed. Residual risks investigated and findings to be finalised prior to VfM conclusion issue date	September 2011
Annual Governance Report	Findings will be reported based on work still to be carried out.	September 2011
Auditor's report giving an opinion on the financial statements, and (VfM) conclusion	Findings will be reported based on work still to be carried out.	September 2011
Annual Audit Letter	Findings will be reported based on work still to be carried out.	November 2011