



2008-09 Audit Plan

Humberside Police Authority

Audit 2008-2009

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.
- 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, 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.

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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.

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Introduction

- 1 This plan sets out the work your audit team proposes to undertake in relation to the 2008/09 accounts. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment (CAA). It reflects:
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 During 2008/09, a Comprehensive Area Assessment Lead (CAAL) will be appointed. The CAAL will provide the focal point for the Commission's work in your local area, to lead the CAA process, and to ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies.
- 3 As I have not yet completed my audit for 2007/08, the audit planning process for 2008/09, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

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Responsibilities

- 4 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies (from April 2008) sets out the respective responsibilities of the auditor and the Police Authority. The Audit Commission has issued a copy of the Statement to every audited body.
- 5 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and our audit work is undertaken in the context of these responsibilities.
- 6 I comply with the statutory requirements governing my audit work, in particular:
 - the Audit Commission Act 1998; and
 - the Code of Audit Practice.
- 7 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the annual governance statement); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.

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Fees

- 8 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2008/09. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 9 The total indicative fee for the audit work for 2008/09 is £81,671 which compares to the planned fee of £81,034 for 2007/08.
- 10 The fee is shown in the table below. The fee is determined by audit risks identified, mandated work and basic assumptions (these are outlined in Appendix 2).

Table 1 Audit fee

Audit area	Planned fee 2008/09	Planned fee 2007/08
Financial statements	£49,300	£48,812
Use of resources	£30,464	£30,372
Whole of government accounts	£ 1,907	£ 1,500
National Fraud Initiative	£ To be decided following consultation	£ 350
Total audit fee	£81,671	£81,034

- 11 The Audit Commission scale fee for Humberside Police Authority is £83,297. The fee proposed for 2008/09 is - 2 per cent compared to the scale fee and is within the normal level of variation specified by the Commission.
- 12 In setting the fee, I have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007/08;
 - internal audit undertakes appropriate work on all systems; and
 - good quality working papers and records will be provided to support the financial statements prior to the start of the audit of such statements

Further details of the assumptions are outlined in Appendix 2.

- 13 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.

- 14 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Authority. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.
- 15 The fee (plus VAT) will be charged in 12 equal instalments from April 2008 to March 2009.

Process for agreeing any changes in audit fees

- 16 As set out in paragraph 2, I expect that the initial risk assessment may change as the year progress. Where this is the case, I will discuss this in the first instance with the Director of Performance & Resources. Supplements to the plan will be issued to record revisions to the risk and the impact on the fee.

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Auditor's report on the financial statements

- 17 I am required to issue an audit report giving my:
- opinion on whether the financial statements present fairly the financial position of the police authority as at 31 March 2009; and
 - conclusion on whether the authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial statements

- 18 I have not undertaken a risk assessment for my audit of the financial statements as many of the specific risks which may become apparent after I have completed my 2007/08 audit. I will issue a separate opinion audit plan for my audit of the financial statements in December 2008.
- 19 At this stage I am aware of the following risks that are likely to impact on my audit of the financial statements:
- Introduction of a new asset management system
- 20 Detail of my risk assessment process is outlined in Appendix 3.

Value for money conclusion

- 21 In reaching my conclusion I will review evidence that is relevant to the Police authority's performance management and financial management arrangements.
- 22 The key risks highlighted from my planning are summarised in the table below with details of planned work to mitigate the risks. Full details of my risk assessment are outlined in Appendix 3.

Table 2 Key risks identified

Key risks identified	Planned work to address the risk
There is a risk that the Police Authority's own risk management arrangements are not developed sufficiently to ensure that Police Authority risks are adequately addressed	We will review your arrangements for risk management, and based on notable practice identify areas to incorporate into your risk management system
Whilst both the Force and Authority have good conduct and counter fraud policies in place, there is a risk that there are inadequate mechanisms in place to ensure that staff have an appropriate understanding of their responsibilities	We will assess staff's understanding of your conduct arrangements via a web based survey developed by the Audit Commission

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Use of resources

- 23 The Audit Commission has specified that auditors will complete a use of resources assessment for 2008/09. This will be a new assessment forming part of the CAA framework for 2009.
- 24 The approach to the new use of resources assessment will be focussed on three themes with the detailed Key Lines of Enquiry to be confirmed. For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Authority to mitigate the risk and plan the work accordingly.
- 25 The initial risk assessment for use of resources work is shown in Appendix 3. This will be updated through the continuous planning process as the year progresses.

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Mandated work

- 26 As part of the audit, the mandated work programme comprises whole of government accounts. Appendix 1 highlights the work to be undertaken.

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The audit team

- 27 The key members of the audit team for the 2008/09 audit are shown in the table below.

Table 3 Audit team

Name	Contact details	Responsibilities
Mark Kirkham District Auditor	m-kirkham@audit-commission.gov.uk 0844 798 6632	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and finance committee.
Joanne McDonough Comprehensive Area Assessment Lead	j-mcdonough@audit-commission.gov.uk 0844 798 7156	Responsible for co-ordinating the CAA process locally with appointed auditors, other inspectorates and regulators.
Chris Hartley Audit Manager	c-hartley@audit-commission.gov.uk 0844 798 6642	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Performance & Resources.

Quality of service

- 28 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact the North East, Yorkshire & Humberside Head of Operations, Dave Allsop.
- 29 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*' which is available from the Commission's website or on request.

Planned outputs

- 30 Reports will be discussed and agreed with the appropriate officers before being issued to the Finance Committee.

Table 4 Planned outputs

Planned output	Indicative date
Opinion audit plan	December 2008
Annual governance report	September 2009
Auditors report giving an opinion on the financial statements and value for money conclusion	September 2009
WGA audit report	October 2009
Final accounts memorandum (to the Director of Finance)	November 2009
Use of resources report	October 2009
Annual audit letter	November 2009

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Appendix 1 – Elements of our work

Financial statements

- 1 I carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 2 I am required to issue an opinion on whether 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 2008, the financial position of the police authority as at 31 March 2009 and its income and expenditure for the year.
- 3 I am also required to review whether the Annual Governance Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Governance Statement is misleading or inconsistent with my knowledge of the Police Authority.

Value for money conclusion

- 4 The Code requires us to issue a conclusion on whether the Police authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires auditors to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at their conclusion.
- 5 In meeting this responsibility, I will review evidence that is relevant to the Police authority's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators I will normally place reliance on their reported results to inform our work.
- 6 I will also follow up my work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment

- 7 The Commission has now consulted on its proposals for the 2008/09 use of resources assessment. It proposes that the work required to arrive at the 2008/09 use of resources assessment is fully aligned with that required to arrive at the auditor's 2008/09 value for money conclusion. The Commission proposes that the assessment will be based upon the evidence from three main themes:
- Managing money;
 - Managing the business; and
 - Managing other resources.

Whole of government accounts

- 8 I will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.

National Fraud Initiative

- 9 From 2008/09 work relating to the National Fraud Initiative will be carried out directly by the Commission under its new data matching powers under the Serious Crime Act 2007. The Commission will be consulting audited bodies on the work programme and fee scales for the National Fraud Initiative later this year.

Appendix 2 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning my audit work to address areas of risk relevant to my audit responsibilities and reflecting this in the audit fees. It also means making sure that my work is coordinated with the work of other regulators, and that my work helps you to improve.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying at the police authority with reference to:
 - our cumulative knowledge of the authority;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with police authority officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.

Assumptions

- 3 In setting the fee, I have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007/08;
 - you will inform us of significant developments impacting on our audit;
 - internal audit meets the appropriate professional standards;
 - internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that I can place reliance for the purposes of our audit;
 - good quality working papers and records will be provided to support the financial statements by the start of the audit of such statements;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when I issue the opinion audit plan.

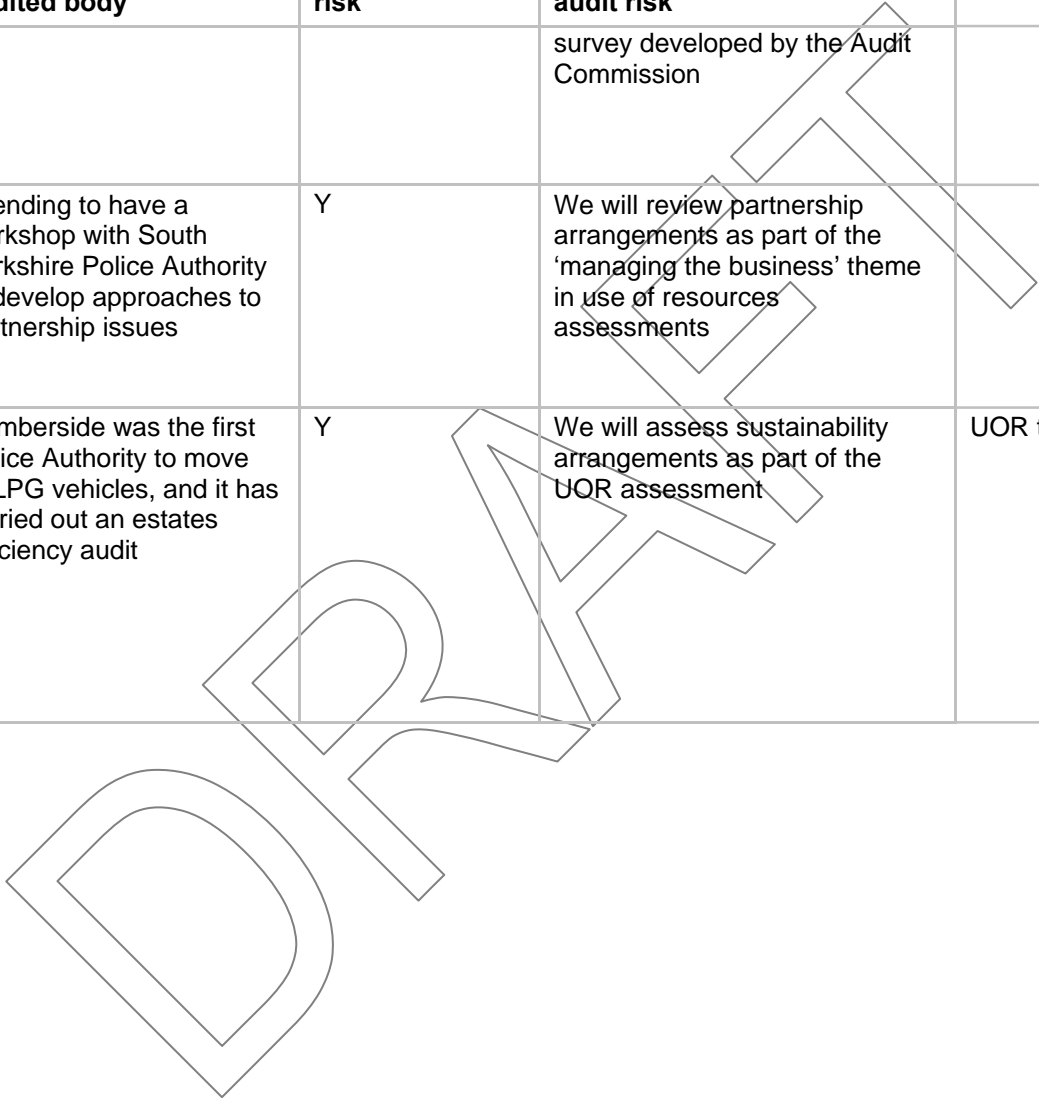
- 5 Changes to the plan will be agreed with you. These may be required if:
- new residual audit risks emerge;
 - additional work is required of us by the Audit Commission or other regulators;
or
 - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

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Appendix 3 – Initial risk assessment – use of resources

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
Workforce modernisation - the Authority is undertaking a 5 year programme to free up police officer time by having additional Support Officers, and about 300 fewer Police Officers. If not achieved there is a risk that this will impact on the achievement of financial and performance targets	A project Board has been set up to move forward on workforce modernisation	Y	We are carrying out a review of workforce modernisation as part of the 200/708 audit. We intend to rely on this work, subject to any follow up, in forming our views on the progress of the project	VFM conclusion criteria 7 & 8
Setting, reviewing and implementing corporate objectives	From January 2007 the Authority and the Force had clear strategic objectives. This was the first time that such objectives were in place.	Y	As part of our work on the VFM conclusion we will assess the effectiveness of the Authority's arrangements to measure the achievements of its key objectives	VFM conclusion criteria 1
Risk management- although there is risk register for the Force, there is not one specific for the Police Authority. Risk that issues are not identified and dealt with promptly	Carrying out a base line assessment analysis as a first step in developing a specific Police Authority risk register	Y	We will review your arrangements for risk management, and based on notable practice, identify areas to incorporate into your risk management system	VFM conclusion criteria 6
Good conduct- both the Authority and the Force have policies in place,	The Authority and the Force is carrying out a fraud risk assessment	Y	We will assess staff's understanding of your conduct arrangements via a web based	VFM conclusion criteria 12

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
although they do not have mechanisms to assess staff’s understanding of these polices			survey developed by the Audit Commission	
Partnerships- the Authority/ Force needs to continue to develop strong relationships within the LSP and with other Police Authorities/ Forces	Intending to have a workshop with South Yorkshire Police Authority to develop approaches to partnership issues	Y	We will review partnership arrangements as part of the ‘managing the business’ theme in use of resources assessments	
Sustainability- all public bodies will need to demonstrate that they are actively making efforts to contribute to the sustainability agenda. It is now part of the UOR assessment., under "managing natural resources"	Humberside was the first Police Authority to move to LPG vehicles, and it has carried out an estates efficiency audit	Y	We will assess sustainability arrangements as part of the UOR assessment	UOR theme "Managing natural resources"



Appendix 4 – Independence and objectivity

- 1 I am not aware of any relationships that may affect the independence and objectivity of the audit team, which we are required by auditing and ethical standards to communicate to you.
- 2 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.
- 3 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 4 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 5 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 6 The standard defines '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.
- 7 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.
- 8 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.

- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee.
- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
- The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
- The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

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Appendix 5 – Working together

Meetings

- 1 In order to help address my responsibilities under ISA (UK&I) 315 - understanding the entity, I will maintain my knowledge of your issues to inform my risk-based audit through regular liaison with key officers.
- 2 The meetings will be organised by the Audit Commission and our proposal for this is as follows.

Table 5 Proposed meetings with officers

Police Authority officers	Audit Commission staff	Timing	Purpose
Chief Executive Director of Performance & Resources	District Auditor (DA), Audit Manager (AM),	Quarterly: April, August, November, February	General update plus: <ul style="list-style-type: none"> • April - audit plan • June - accounts progress and VFM
Finance Committee	DA and AM, with TL as appropriate	Quarterly	Formal reporting of: <ul style="list-style-type: none"> • Audit Plan • Annual governance report • Annual audit letter • Other issues as appropriate

Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and I will actively consider opportunities to reduce our impact on the environment. This will include:
- reducing paper flow by encouraging you to submit documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as appropriate; and
 - reducing travel.

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