

# Audit Progress

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**Cleveland Police Authority**

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Audit 2009/10

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**May 2010**

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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:

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# Introduction

- 1 This update report reflects progress on the external audit of Cleveland Police Authority as at 18 May 2010. This report forms an important role in keeping Members of the Audit and Internal Control Panel informed on the progress of the audit.
- 2 The 2009/10 audit is underway. We are finalising our testing strategy for the impending audit of the Authority's financial statements which is scheduled for June and early July.
- 3 We have undertaken an initial planning exercise relating to the 2010-11 audit. We have determined the audit fee required for the assessed work.

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# 2009/10 Audit Progress

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## Original audit plan

- 4 Our audit plan was set out for the 2009/10 audit in the fee letter presented to the Audit and Internal Control Panel. The fee for the 2009/10 audit was set at £85,780. We continue to keep this fee level under review having regard to a number of factors, including our assessment of new or emerging audit risks. We continue to conclude that there is no need to change the fee level at this stage.
- 5 Our key areas of work for the 2009/10 audit are:
  - the opinion on the financial statements
  - the use of resources assessment and the value for money conclusion.Progress in each of these key areas of work is briefly noted below.

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## Opinion on the financial statements

- 6 We have liaised with officers to agree upon our joint arrangements for the production and audit of the Authority's financial statements.
- 7 These arrangements are set out in an Opinion Protocol.
- 8 The aim of the protocol is twofold; to
  - deliver an efficient and effective audit
  - seek an early audit opinion and closure of the 2009-10 audit (as requested by members).
- 9 One outstanding issue relates to the timing of the member meetings at the conclusion of the audit, to which:
  - the auditor must present the Annual Governance Report (the commonly called ISA 260 report)
  - the accounts can be re-approved if revisions are required.
- 10 Auditing standards require that the responsibility for these actions rests with 'those charged with governance'. In Cleveland's case this is the Police Authority Executive. However as members of the Panel will be aware, the practice in previous years has

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been that the Audit and Internal Control Panel review the Annual Governance Report and revised financial statements before they are referred to the Executive.

- 11 Presently however there is no scheduled meeting of the Panel in August and the next Executive meeting is not until 16th September 2010. This timetable would therefore delay audit closure until after this date.
- 12 We have raised with officers whether they would wish to call a 'special' meeting of the Panel and Executive in order to facilitate an earlier audit closure. They are liaising with members on this possibility and it is something that the Panel may wish to discuss at their meeting.

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### Use of resources and VFM conclusion

- 13 In the last quarterly monitoring report we highlighted the changes to the approach and timetable relating to this years use of resources assessment. One important change related to the need for earlier work in order to submit an indicative assessment by 21 April 2010.
- 14 We have made this indicative assessment for Cleveland Police and have issued to the Panel a separate report detailing the 'scores' analysed over the individual themes (or key lines of enquiry - KLOE's) that are subject to assessment this year.
- 15 It is important to reiterate that these are indicative assessments and subject both to moderation and some further work. As such the scores are still subject to change, but are being shared with the Panel at this stage in the interest of openness and to facilitate a discussion around the key messages arising from our work.
- 16 The moderation process and further work will be completed in the next few weeks in order that the final assessment can be submitted by 30 July 2010. Following further national moderation, it is expected that the final scores will be reported in the Annual Governance Report in August 2010. The use of resources scores feed directly into the VFM conclusion.

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# 2010/11 Audit Planning

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## The 2010/11 audit fee

- 17 In the last quarterly monitoring report we drew member's attention to the fee planning exercise relating to our 2010/11 work programme. This exercise has now been completed and a separate fee letter has been referred to the Audit and Internal Control Panel detailing the identified audit risks, work programme and our initial estimate of fee required for the year.
- 18 While not wishing to replicate the fee letter, the key details to draw to members attention are that:
- the total indicative fee for the audit for 2010/11 is £90,900
  - this compares to the planned fee of £85,780 for 2009/10
  - the fee has been set at 5.5% above the scale fee which is a similar position to last year (the scale fee is determined by the Audit Commission and represents the fee the Commission would expect to be charged for the programme of work it requires appointed auditors to deliver)
- "The Commission has defined the scale audit fee as the fee required by auditors to carry out the work necessary to meet their statutory responsibilities under the AC Act in accordance with the Code. It represents the Commission's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes."**
- 19 In assessing the initial fee we have considered those issues of audit risk at Cleveland Police Authority potentially impacting on our 2010/11 work. This will include:
- the adequacy of the Authority's response to increasing financial pressure
  - monitoring progress and associated audit risks arising from the proposed PFI schemes
  - review the proposed outsourcing of support services.

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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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