

27 April 2010

Mr Paul Kirkham
Treasurer
Cleveland Police Authority
Police Headquarters
Ladgate Lane
Middlesbrough
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Dear Mr Kirkham

Cleveland Police Authority Annual audit fee 2010/11

I am writing to outline the audit work that we propose to undertake for the 2010/11 financial year at Cleveland Police Authority and the associated fee for that work.

The fee is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Commission for 2010/11. I have not yet completed my audit for 2009/10 so the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary.

The total indicative fee for the audit for 2010/11 is for £90,900 (exclusive of VAT) which compares to the planned fee of £85,780 for 2009/10. A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	59,780	56,310
Use of Resources / VFM Conclusion	31,120	29,470
Total audit fee	90,900*	85,780

** the total fee will be subject to one-off refund from the Audit Commission of £5,250 in April 2010 to cover the costs of transition to IFRS (see below).*

The Audit Commission has published its work programme and scales of fees 2010/11. The scale fee for Cleveland Police Authority is £86,151. The scale fee is determined by the Audit Commission and represents the fee the Commission would expect to be charged for

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the audit. The fee proposed for 2010/11 has been set at 5.5% above the scale fee which is a similar position to last year.

The published fee scale for 2010/11 included a 6% increase to cover the costs of additional audit work arising from the introduction of International Reporting Standards (IFRS). In July 2009, in recognition of the financial pressures that public bodies are facing in the current economic climate, the Commission confirmed that it would subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) for local authorities and police and fire and rescue authorities from 2010/11. You will therefore receive a refund from the Audit Commission of £5,250 in April 2010.

In setting the fee, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2009/10. A separate opinion plan for the audit of the financial statements will be issued at a later date following the completion of 2009/10 audit work. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Treasurer and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit & Internal Control Panel.

My use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2010/11. My work on use of resources informs my 2010/11 value for money conclusion. However, I have identified a number of significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by Cleveland Police Authority to mitigate the risk, and plan my work accordingly.

My initial risk assessment for the audit is as follows:

Risk	Planned work
International Financial Reporting Standards (IFRS) – risk of not making adequate preparations to implementing IFRS.	We will maintain a dialogue with officers as the IFRS project is developed and implemented.
The Authority and Force are working to outsource a number of support services during 2010-11. This can offer significant economies of scale and financial savings but service performance, business continuity and contractual risks will need to	We will review progress with the outsourcing contract to track progress in managing the associated risks, and comment as appropriate.

be managed.	
Managing the Authority's response to expected cuts in public spending – Cleveland Police Authority is updating the medium term financial strategy and have a programme of initiatives and projects to deliver the savings that will be needed.	We will assess the Authority's delivery of this programme on an ongoing basis, and comment on its implementation.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

Our audit is undertaken in the context of the Audit Commission's Code of Audit Practice and the Statement of Responsibilities of Auditors and Audited Bodies. The Code is approved by Parliament every 5 years, and the latest Code has just been approved and took effect from 9 March 2010.

The Code prescribes the way in which auditors of local government bodies, including police authorities, appointed by the Commission should carry out their functions under the Act. There have not been any significant changes in the new Code. The Statement of Responsibilities which has also been updated highlights the responsibilities of the Authority itself and the limitations of the role of the auditor.

The new Code and a revised Statement of Responsibilities have been provided electronically to officers, and I suggest that these are presented to members of the Audit & Internal Control Panel along with the fee letter to demonstrate appropriate governance by the Authority.

The key members of the audit team for the 2010/11 audit are:

Audit Manager – Paul Heppell 01429 523490

Team Leader – Sandra Swan 01642 444046

I am 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 and Humberside Head of Operations, (d-allso@audit-commission.gov.uk).

Yours sincerely

Lynne Snowball
District Auditor

cc: Joe McCarthy, Chief Executive
Ann Hall, ACO Finance and Commissioning
Mike McGrory, Chair of the Audit & Internal Control Panel

Appendix 1: Planned outputs

Our reports will be discussed and agreed with appropriate officers before being issued to the Audit & Internal Control Panel Committee.

Table 1

Planned output	Indicative date
Audit fee letter	April 2010
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of resources report	August 2011
Final accounts report (to the Treasurer)	October 2011
Annual audit letter	October 2011