

## Leicestershire Police Authority

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### External audit progress report April 2009

#### *Audit of the 2008/09 financial statements*

Our interim audit visit took place during the last two weeks of February 2009. The main purpose of the interim visit was to establish if reliance could be placed on the main financial systems and the control arrangements in place at the Authority around these systems.

We are pleased to report that our interim audit did not identify any significant issues that require drawing to the attention of the Audit Committee. Our audit only identified three minor issues, all of which have already been discussed and agreed with the Force's Finance Team and formally reported in a letter to the Authority's Treasurer. Actions have been agreed with the responsible officers and we will follow these up as part of our final audit visit. By way of comparison, we would normally expect to identify more issues than this from an interim audit, particularly in our first year as auditors. This performance is something that the Authority and Force should be congratulated on.

We have also reviewed the work of internal audit completed to date and have re-performed some of their testing on a sample basis as required by auditing standards. We are pleased to report that we expect to be able to place the planned level of reliance upon the work of Internal Audit when all internal audit work and our review of that work are complete.

Our review of the General Controls within the IT systems is scheduled for week commencing 27 April 2009. We will report the results of this work to you at a future meeting.

We would like to take this opportunity to thank the finance team for their assistance with the audit to date.

#### *Arrangements for the final audit*

Our final audit visit is planned for the two weeks commencing 15 June 2009. As this is our first year as auditors for the Authority, and in order to ensure the final accounts' audit process is as smooth as possible, we have already reviewed the format of last year's accounts against the current reporting standards and have agreed with the finance team a number of minor changes for the 2008/09 accounts.

***Comprehensive Area Assessment***

The Authority agreed to produce a self-assessment by the end of March 2009 (which we received on 30 March 2009). We plan to undertake the majority of our work during April 2009 and key meetings have already been arranged.

***International Financial Reporting Standards (IFRS) Transition Project***

The Authority is required to prepare its financial statements under IFRS from 2010/11, including the restatement of the opening balance sheet as at 1 April 2009 and the preparation of 2009/10 comparative figures. We are currently in the process of providing project and technical advice to the Authority for the transition to IFRS. This work includes a desktop assessment, diagnostic workshop, final report and implementation plan. The work is being undertaken by PwC's IFRS conversion specialists as an additional piece of non-audit work. The agreed fee of £12,000 is therefore outside of, and additional to, the agreed audit plan for 2008/09.

Whenever we undertake additional non-audit work we need to consider the potential threats to our independence as auditors associated with PwC's involvement in the work being commissioned by the organisation. We have considered the potential threats to our independence of undertaking this project and are satisfied that undertaking this project will not impair our independence as auditors. We believe that we have put adequate safeguards in place to address the potential threats to our independence, for example by using a team of IFRS conversion specialists to undertake the work, none of whom are involved with the audit.

***Indicative Audit Fees for 2009/10***

We have written to the Treasurer outlining our indicative fees for 2009/10 based upon guidance issued by the Audit Commission. The detailed audit plan for 2009/10, including an update to the proposed audit fee, will be presented to the Audit Committee in the autumn of 2009, following the completion of our final accounts audit and the Comprehensive Area Assessment (CAA) process. A copy of the indicative audit fee letter is included as a separate item on the Audit Committee's agenda.