

Leicestershire Police Authority 2009/10 Audit Plan (DRAFT)

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Members of the Audit Committee
Leicestershire Police Authority
St John's
Enderby
Leicestershire
LE19 2BX

3 March 2010

Ladies and Gentlemen,

We are pleased to present to you our draft Audit Plan for the 2009/10 audit of the Authority, which includes an analysis of key risks, our audit strategy, reporting and audit timetable and other matters. Discussion of our plan with you ensures that we understand your concerns and that we agree on our mutual needs and expectations to provide you with the highest level of service quality. Our approach is responsive to the many challenges facing the Authority and so we will revise and update this plan as necessary throughout the year; any significant changes to the plan will be brought back to the Audit Committee for your consideration.

We would like to thank members and officers of the Authority for their help in developing this Plan.

If you would like to discuss any aspect of our Audit Plan please do not hesitate to contact either Mark Jones or Sara Bagnall.

Yours faithfully,

PricewaterhouseCoopers LLP

Encs

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In April 2008 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end, and what is to be expected of the audited body in certain areas. Our reports and letters are prepared in the context of this Statement.

Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Introduction

The purpose of this Plan

Our Audit Plan has been prepared to inform the officers and members of Leicestershire Police Authority (the Authority) about our responsibilities as your external auditors and how we plan to discharge them.

Every Authority is accountable for the stewardship of public funds. The responsibility for this stewardship is placed upon the members and officers of the Authority. Our principal objective is to carry out an audit in accordance with the Audit Commission's Code of Audit Practice (the Code).

Based upon discussion with management and our understanding of the Authority and the challenges facing police authorities in general, we have noted in the next section recent developments and other relevant risks. Our Plan has been drawn up to consider the impact of these developments and risks.

We would like to thank members and officers of the Authority for their help in developing this Plan.

Period covered by this plan

We issued our audit fee letter on 1 April 2009 in accordance with Audit Commission requirements, which set out our indicative fees for 2009/10. This plan sets out in more detail our proposed audit approach for the year.

This Plan outlines our audit approach for the period 1 April 2009 to 31 March 2010, including the 2009/10 final accounts audit which we will undertake in the summer of 2010. We will continue to review this plan during the course of the audit year, and update it where necessary, to reflect developments at the Authority or any changes in our understanding of the issues that it faces.

Code of Audit Practice and Statement of responsibilities of auditors and of audited bodies

We perform our audit in accordance with the Audit Commission's Code of Audit Practice (the Code), which was last updated in July 2008. This is supported by the Statement of Responsibilities of Auditors and of Audited bodies (the Statement) which was updated in April 2008 and both are available from the Chief Executive.

The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end, and what is to be expected of the audited body in certain areas.

Our reports follow the Statement and are in line with the Code. Although reports may be addressed to officers or members of the Authority, they are prepared for the sole use of the audited body. Auditors do not have responsibilities to officers or members in their individual capacities or to third parties who choose to place reliance upon the reports from auditors.

Risk assessment

Planning of our audit

It is your responsibility to identify and address your operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. In planning our audit work, we assess the significant operational and financial risks that are relevant to our responsibilities under the Code and the Audit Commission's Standing Guidance. This exercise is only performed to the extent required to prepare our Plan so that it properly tailors the nature and conduct of audit work to your circumstances. It is not designed to identify all risks affecting your operations nor all internal control weaknesses.

We have considered the Authority's operations and have assessed the extent to which we believe there are potential business and audit risks that need to be addressed by our audit. We have also considered our understanding of how your control procedures mitigate these risks. Based on this assessment we have determined the extent of our financial statements and use of resources audit work.

In this Plan we detail those areas which we consider to be significant risks relevant to our audit responsibilities and our response to those risks. Significant risks are those risks requiring special audit attention in accordance with auditing standards. In addition, we also identify other risks affecting the Authority and our response to these risks.

Our response includes details of where we are intending to rely upon internal controls, other auditors, inspectors and other review agencies and the work of internal audit, if applicable.

2010/11 the first year of reporting under IFRS

The implementation of IFRS in the local government sector will occur in 2010/11. Therefore, the 2010/11 financial statements will be prepared in accordance with IFRS.

The 2009/10 financial statements will continue to be prepared in accordance with UK GAAP, however balances and transactions appearing in them will need to be restated under IFRS as comparatives in the 2010/11 financial statements. In order for this to happen, opening balances as at 1 April 2009 will need to be restated. Preparation for conversion is already underway at the Authority, as recommended in CIPFA's Local Authority Accounting Panel (LAAP) Bulletin 80, published in March 2009.

As the implementation of IFRS requires the financial statements to be prepared in accordance with a new set of financial standards, there is an increased risk that the accounts could be misstated. We will therefore work closely with the Authority to ensure that you are aware of the main differences between IFRS and UK GAAP and to resolve any accounting issues on a timely basis.

Risk assessment results

The following table summarises the results of our risk assessment and our planned response. At this stage we do not regard any of the risks set out below to be significant risks relevant to our audit responsibilities that require special audit attention in accordance with auditing standards.

Risk	Audit approach
<p><u>Medium Term Financial Position</u></p> <p>The Authority has identified a significant funding gap in the region of £7.25m for 2010/11 and 2011/12. This calculation assumes a 2.9% settlement increase which the Authority now considers unlikely given the current pressures on public spending.</p>	<p>We will consider the Authority's Medium Term Financial Planning both as part of our CAA/Use of Resources work and as part of our assessment of the Authority's financial standing as part of our audit of the financial statements.</p>
<p><u>Impact of the economic climate</u></p> <p><i>1. Increased pressures on budgets</i></p> <p>The Authority is likely to be experiencing increased pressure on many of its budgets as economic conditions have worsened. Budget holders may feel under pressure to try to push costs into future periods, or to miscode expenditure to make use of resources intended for different purposes.</p> <p><i>2. Increased demand for services</i></p> <p>The Authority is likely to be experiencing increased demand for its services at a time when funding service provision may be under strain. This may lead to increased risks related to the processing and documentation of financial data.</p> <p><i>3. Bad debt</i></p> <p>The economic downturn is likely to have increased the risk of the Authority suffering losses due to bad debt. The Authority will need to have assessed the recoverability of debts, and reviewed its bad debt provision, to avoid overstating its debtors.</p> <p><i>4. Fraud</i></p> <p>There is evidence that difficult economic conditions lead to increased risk of fraud. The Authority is likely to be at greater risk of fraud, both by staff and by service users.</p>	<p>1 & 2. We will review the Authority's budget monitoring processes to identify any areas of concern (initially by reviewing the work of internal audit with respect to the Authority's budgetary control arrangements and other financial systems). We will also bear these risks in mind when carrying out cut-off testing as part of our audit of the financial statements.</p> <p>3. We will assess the robustness of the Authority's assessment of its exposure to bad debts, and review evidence as to the recoverability of year end debtors.</p> <p>4. We will look at your approach to assessing and minimising the risk of fraud, in order to determine whether there are areas of the accounts that may be susceptible to misstatement (initially by reviewing the work of internal audit with respect to the Authority's arrangements for preventing and detecting fraud).</p>

Risk	Audit approach
<p><u>Valuation of Assets and Revaluation Reserve</u></p> <p>The economic climate has caused falls in the value of many land and building assets, and the risk of such assets being overvalued on the balance sheet remains relatively high. We will expect the Authority to have carried out impairment reviews to ensure that assets are not overvalued at the year end, and to process downward revaluations where appropriate.</p> <p>The recent introduction of the revaluation reserve in 2007/08 will have ongoing implications for the treatment of assets revalued during 2009/10. Particular care will need to be taken over the treatment of any downwards revaluations which exceed revaluation gains recognised since the start of 2007/08. These will need to be charged to the Income and Expenditure Account.</p>	<p>We will discuss the requirements with you and review the plans and arrangements that are in place to meet these accounting requirements for 2009/10.</p>
<p><u>International Financial Reporting Standards</u></p> <p>International Financial Reporting Standards (IFRS) will be implemented for local government bodies in 2010/11. Project planning for this transition should already be well underway at the Authority. Systems should be put in place so that information required for the transition (e.g. comparatives for inclusion in the 2010/11 statements) can be collected efficiently and effectively during the 2009/10 closedown.</p> <p>The Authority has already made progress in considering IFRS, including developing a conversion plan. During the year it is likely that there will be need for dialogue between the Authority and us, as auditors, in relation to IFRS and in ensuring that technical queries are resolved appropriately.</p>	<p>We will liaise with the Authority and with staff responsible for the IFRS project, and agree a plan for audit support, where appropriate, to the project.</p>
<p><u>Comprehensive Area Assessment (CAA)</u></p> <p>2008/09 was the first year of CAA, and in common with many bodies the Authority found the process to be challenging, in particular in demonstrating actions have led to improved outcomes. That having been said the Authority was successful in rising to the challenge and achieved an overall score of 3 (exceeds minimum requirements – performs well).</p> <p>In 2009/10 the Authority will for the first time also be assessed against KLoE 3.1, which will look at how natural resources are used.</p>	<p>We will work with the Authority during the year as officers seek to demonstrate improved performance in the areas covered by CAA.</p> <p>Early attention will be given to reviewing the progress that the Authority is making towards reporting and reducing its use of natural resources, which will be a key element of the assessment of the new KLoE (KLoE 3.1) in 2009/10.</p>

Risk	Audit approach
<p><u>East Midlands Special Operations Unit (EMSOU)</u></p> <p>The Authority is the lead body for EMSOU. The transactions for EMSOU are accounted for under Financial Reporting Standard (FRS) 9 as a joint arrangement not an entity (JANE). As well as accounting for its contribution and share of the assets and liabilities the Authority prepares the key financial statements for the Unit as a whole. These “group” accounts are shown as a disclosure note in the Authority’s accounts.</p> <p>As the Authority is the lead body for EMSOU, in 2008/09 we received requests from the auditors of the other east midlands police authorities for information relating to the audit of EMSOU transactions and balances, which we responded to with the permission of the Authority’s Treasurer.</p>	<p>As the Authority is the lead body for EMSOU we will respond to any requests from the auditors of the other east midlands police authorities for information relating to the audit of EMSOU transactions and balances as appropriate and with the permission of the Treasurer. The fee implications of undertaking the scope of expected additional work in 2009/10 are detailed later in the Audit Fee section of this Plan.</p>
<p><u>Prudential Framework</u></p> <p>The Prudential Framework was introduced on 1 April 2004. Many authorities have adopted an incremental approach to taking up all the freedoms and flexibilities that it offers for the delivery of services and capital investment. It is our understanding that the Authority will continue to develop arrangements to manage the new risks and take advantage of the new opportunities offered by the Framework throughout 2009/10. For example, many authorities have yet to take out any substantial amounts of prudential borrowing that is supported by future projections of income generation/efficiency savings rather than Government funding.</p> <p>In continuing to develop arrangements, the Authority will need to consider the effectiveness of its controls over expenditure and borrowing after the first five years of the Framework and its plans for developing / extending prudential borrowing. Where prudential borrowing is planned, the Authority needs to be assured that this is based on robust projections of affordability.</p>	<p>We will discuss the requirements with you and review the plans and arrangements that are in place to meet these accounting requirements.</p>

Risk	Audit approach
<p><u>Financial Instruments</u></p> <p>Following the introduction of new financial instruments provisions from the 2007/08 financial year, authorities may still need to continue the realignment of their treasury management strategies and the new accounting policies into 2009/10. In 2009/10, authorities might for the first time enter into transactions for which the accounting changes have been particularly substantial (eg, premiums on early repayment of debt). There is also a risk that disclosures in the accounts may still be completed based on pro-forma examples, rather than representing a reliable reflection of the nature of the instruments concerned, that is accessible to users.</p> <p>A third risk relates to the valuation of financial assets and liabilities in the balance sheet. Economic conditions may impact on the fair value of assets and in certain cases lead to impairments. Guarantees and loan commitments may also need to be reassessed where they relate to organisations experiencing financial difficulties.</p>	<p>We will discuss the requirements with you and review the plans and arrangements that are in place to meet these accounting requirements.</p>
<p><u>Treasury Management</u></p> <p>The collapse of the Icelandic banks in 2008/09, and the potential losses suffered by numbers of local authorities on apparently safe deposits, has highlighted the importance of robust treasury management procedures and active and informed management of risk. Weaknesses in this area could lead to losses of assets invested, or held as cash deposits. Risks may not be adequately disclosed in the notes relating to financial instruments.</p>	<p>We will maintain a watching brief over these proposed developments.</p>
<p><u>Subsequent events</u></p> <p>The current unpredictability of the economy means that effective consideration of events after the balance sheet date will be essential. FRS 21 applies in determining whether the statement of accounts needs to be adjusted or additional disclosures made. The relevant “authorised for issue” date up to which events need to be considered by the Authority is the date the responsible financial officer authenticates the statement of accounts ready for the audit opinion to be given on it.</p>	<p>We will discuss the requirements with you and review the plans and arrangements that are in place to meet these accounting requirements.</p>

Our approach to the audit

Code of Audit Practice

Under the Audit Commission's Code there are two aspects to our work:

- Accounts, including a review of the Annual Governance Statement; and
- Use of Resources; the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources (the Use of Resources Conclusion).

We are required to issue a two-part audit report covering both of these elements.

Accounts

Our Accounts audit is carried out in accordance with our Accounts Code objective, which requires us to comply with International Standards on Auditing (ISAs) (UK & Ireland) issued by the Auditing Practices Board (APB). We plan and perform our audit to be able to provide reasonable assurance that the financial statements are free from material misstatement and present fairly the financial position of the Authority. We use professional judgement to assess what is material. This includes consideration of the amount and nature of transactions.

Our audit approach is based on gaining a thorough understanding of your business and is risk-driven. It first identifies and then concentrates resources on areas of higher risk. This involves breaking down the accounts

into components. We assess the risk characteristics of each component to determine the audit work required.

Our audit approach is based on understanding and evaluating your internal control environment and where appropriate validating these controls, where we wish to place reliance on them. This work is supplemented with substantive audit procedures, which include detailed testing of transactions and balances and suitable analytical procedures.

We also aim to rely on the work done by internal audit wherever this is appropriate. We will ensure that a continuous dialogue is maintained with internal audit throughout the year. We receive copies of all relevant internal audit reports, allowing us to understand the impact of their findings on our planned audit approach.

Whole of Government Accounts

Work on the Whole of Government Accounts consolidation pack is included in the scope of the accounts audit.

Use of Resources

Our Use of Resources Code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources (the Use of Resources Conclusion).

This conclusion is based on relevant criteria, covering particular areas of the Authority's arrangements which the Audit Commission has specified under the Code. The criteria cover three themes, Managing Finances, Governing the Business and Managing Resources, and are set out in Key Lines of Enquiry. The applicable criteria are specified by the Audit Commission each year, but where a 'no' judgement is made in one year, that criterion automatically applies in the following year, whether or not it is specified.

When forming our use of resources conclusion we will seek to rely on:

- your self-assessment against the criteria;
- your internal control mechanisms;
- any relevant work of Internal Audit, inspectors and other review agencies;
- work performed in respect of other Code requirements and mandatory work required by the Audit Commission; and
- targeted audit work to address specific risks and validate arrangements in place at the Authority.

As noted above, our conclusion will be issued as part of the audit report on your 2009/10 financial statements.

Mandatory work for 2009/10

Use of Resources Assessment

From April 2009, the Audit Commission has been implementing a comprehensive area assessment (CAA), jointly with the other public service inspectorates. The audit year 2008/09 was a year of transition to CAA so the audit year 2009/10 will therefore be the first full year of CAA. As part of the transition to CAA the scope of the use of resources assessment was broadened to reflect 'new' areas such as commissioning. It also now

encompasses a wider definition of resources, covering natural resources, people and information technology.

Our use of resources judgements in 2009/10 will therefore serve two purposes: as a basis for our use of resources conclusion and as an input into the results of CAA which will be reported in autumn 2010.

National study - Policing: More for Less.

The Audit Commission, HMIC and the Wales Audit Office are undertaking a joint national study, *Policing: More for Less*. The study aims to identify how police forces in England and Wales can maintain or improve police effectiveness using fewer resources.

The research will look at how forces:

- save money from internal changes while improving or maintaining effectiveness;
- work with partners to reduce resource needs; and
- ensure that efficiency improvements are sustained.

The Audit Commission agreed that police auditors would undertake a mandatory data collection exercise for this study, as the information required will also be relevant to their work on use of resources. Key messages from the data analysis are expected to be shared with auditors in advance of publication of the national report.

The Audit Commission developed a questionnaire to collect savings data from police forces, which focused on four areas: cashable efficiencies; joint procurement; shift patterns of reactive police officers; and back office functions.

This data collection is one element of the national study. The study also includes a national opinion survey of chief constables and police authority chairs; existing data analysis (including performance data); and detailed case studies. Each research element complements and adds value to the others.

Our team and independence

Audit Team	Responsibilities
<p>Engagement Leader</p> <p>Mark Jones 0121 232 2503</p> <p>mark.anthony.jones@uk.pwc.com</p>	<p>Engagement Leader responsible for independently delivering the audit in line with the Code of Audit Practice, including agreeing the Audit Plan, Audit Memorandum and Annual Audit Letter, the quality of outputs and signing of opinions and conclusions. Also responsible for liaison with the Chief Officers and Members.</p>
<p>Engagement Manager</p> <p>Sara Bagnall 0121 265 6589</p> <p>sara.bagnall@uk.pwc.com</p>	<p>Manager on the assignment responsible for managing our accounts work, including the audit of the statement of accounts, and for co-ordinating the use of resources audit programme including preparing and presenting reports.</p>

Audit Team	Responsibilities
<p>Accounts Manager/Team Leader</p> <p>Matthew Plummer 07841 564010</p> <p>matthew.plummer@uk.pwc.com</p>	<p>Team Leader on the assignment responsible for our accounts work, including the audit of the statement of accounts.</p>

Our team members

It is our intention that staff work on the audit each year, developing effective relationships and an in-depth understanding of your business. We are committed to properly controlling succession within the core team, providing and preserving continuity of team members.

We will hold periodic client service meetings with you, separately or as part of other meetings, to gather feedback, ensure satisfaction with our service and identify areas for improvement and development year on year. These reviews form a valuable overview of our service and its contribution to the business. We use the results to brief new team members and enhance the team's awareness and understanding of your requirements.

Independence and objectivity

We have made enquiries of all PricewaterhouseCoopers' teams providing services to you and of those responsible in the UK Firm for compliance matters. There are no matters which we perceive may impact our independence and objectivity of the audit team.

Relationships and Investments

Senior officers should not seek or receive personal financial or tax advice from PwC. Members who receive such advice from us (perhaps in connection with employment by a client of the firm or who act as a director for another audit or advisory client of the firm) should notify us, so that we can ensure that appropriate conflict management arrangements in place.

Independence conclusion

At the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Authority, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

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Communicating with you

Communications Plan and timetable

ISA (UK&I) 260 'Communication of audit matters with those charged with governance' requires auditors to plan with those charged with governance the form and timing of communications with them. We have agreed with you previously that 'those charged with governance' in the case of Leicestershire Police Authority are the Audit Committee and, in the absence of a meeting of the Audit Committee, the Finance and General Purposes Committee. Our team works on the engagement throughout the year to provide you with a timely and responsive service. Below are the dates when we expect to provide the outputs of our 2009/10 audit.

Stage of the audit	Output	Timing
Audit planning	Audit Fee Letter	April 2009
	Audit Plan	March 2010
Audit findings	Internal control issues and recommendations for improvement	March/April 2010
	Comprehensive Area Assessment (CAA) 2009/10 - Preliminary Assessment and preliminary conclusion for discussion	March/April 2010
Audit Reports	Audit Memorandum incorporating specific reporting requirements under Auditing Standard (ISA (UK&I) 260), including: <ul style="list-style-type: none"> any expected modifications to the audit report; uncorrected misstatements, i.e. those misstatements identified as part of the audit that management have chosen not to adjust; material weaknesses in the accounting and internal control systems identified as part of the audit; our views about the qualitative aspects of your accounting practices and financial reporting; any other relevant matters of governance interest; and summary of findings from our use of resources audit work to support our value for money conclusion. 	September 2010
	Opinion on the 2009/10 Financial Statements and conclusion on the Authority's arrangements for its Use of Resources	September 2010
	Audit Use of Resources Assessment	October 2010
Other public reports	Annual Audit Letter A brief summary of our work, produced for members and to be available to the public.	November 2010

Audit fees

We wrote to you on 1 April 2009 outlining our proposed indicative fees for the 2009/10 audit, and how these compared to the indicative audit fee levels provided by the Audit Commission.

The total proposed fee for the audit for 2009/10 (excluding work undertaken on EMSOU on behalf of other auditors) is £75,138 (excluding VAT), which is the figure reported in our indicative fee letter. The scale fee for Leicestershire Police Authority is £82,110 (based upon the 2009/10 base budget requirement figure). The fee proposed for 2009/10 is therefore 8.5% below the scale fee. This is broken down as follows:

	2009/10	2008/09
Accounts	45,920	45,240
Whole of Government Accounts	2,550	2,500
Use of Resources (Note 1)	26,668	25,280
Total (excluding work undertaken on EMSOU on behalf of other auditors)(Note 2)	75,138	73,020
Work undertaken on EMSOU on behalf of other auditors (Note 3)	5,000	No charge
Total	80,138	73,020

Note 1: Includes additional liaison with other inspectorates following the introduction of joint Audit Commission/HMIC police inspections in 2009.

Note 2: The indicative fee for 2009/10 does not include any additional audit requirements that may be required in relation to auditing the restatement of the opening balance sheet at 1 April 2009 and the restatement of the 2009/10 comparative figures under IFRS. We will update the audit plan and fees as and when further guidance is provided by the Audit Commission.

Note 3: The Authority is the lead body for the East Midlands Special Operations Unit (EMSOU). In July and September 2009 we received requests for information from the auditors of the other members of EMSOU under ISA 600 (UK & I) in relation to the 2008/09 accounts which we responded to appropriately. We did not charge for this additional work in 2008/09. However, we anticipate receiving similar requests from other auditors with respect to the 2009/10 accounts. As is normal in such situations we have agreed with the Treasurer that we will invoice the Authority for this additional work which will then be passed on to the other EMSOU members.

Our work on use of resources informs the 2009/10 use of resources conclusion. The use of resources assessments will be based upon 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 2009/10.

We have based the audit fee level on the following assumptions:

- officers meeting the timetable of deliverables, which we will agree in writing;
- we are able to place reliance, as planned, upon the work of internal audit;
- we are able to draw comfort from your management controls;
- we are able to place reliance on the work of inspectors and internal audit in respect of our use of resources conclusion;
- no significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- an early draft of the Annual Governance Statement (AGS) being available for us to review prior to 31 March 2009;
- you providing a fully supported and robust self-assessment against the use of resources criteria; and
- our use of resources conclusion and accounts opinion being unqualified.

If these prove to be unfounded, we will seek a variation order to the agreed fee, to be discussed in advance with you.

Appendix A: Other engagement information

The Audit Commission appointed us as auditors to Leicestershire Police Authority and the terms of our appointment are governed by:

- the Code of Audit Practice; and
- the Standing Guidance for Auditors.

There are six further matters which are not currently included within the guidance, but our firm's practice requires that we raise with you.

Electronic communication

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

Appointed auditor

Mark Jones, a director in the firm, will discharge the responsibilities of the appointed auditor and in doing so will bind the firm although Mark Jones is not a partner.

Access to audit working papers

We may be required to give access to our audit working papers to the Audit Commission or the National Audit Office for quality assurance purposes.

Quality arrangements

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the engagement leader responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that engagement leader, please contact Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE99 1PL, or Richard Sexton, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Events arising between signature of accounts and their publication

ISA (UK&I) 560 places a number of requirements on us in the event of material events arising between the signing of the accounts and their publication. You need to inform us of any such matters that arise so we can fulfil our responsibilities.

Freedom of Information Act

In the event that, pursuant to a request which the audited body has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. The audited body agrees to pay due regard to any representations which PwC may make in connection with such disclosure and the audited body shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, the audited body discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

If you have any queries on the above, please let us know before approving the Audit Plan or, if arising subsequently, at any point during the year.

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In the event that, pursuant to a request which Leicestershire Police Authority has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Leicestershire Police Authority agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Leicestershire Police Authority] shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Leicestershire Police Authority discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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