
Leicestershire Police Authority

External Audit Plan 2011/12

Government and Public
Sector

December 2011

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Members of the Audit and Risk Committee
Leicestershire Police Authority
Police HQ
St Johns
Enderby
LE19 2BX

18 December 2011

Members of the Audit and Risk Committee,

We are delighted to present to you our external audit plan 2011/12, which includes an analysis of our assessment of significant audit risks, our proposed audit strategy, audit and reporting timetable and other matters. Discussion of our strategy with you enables our engagement team members to understand your concerns and agree on mutual needs and expectations to provide the highest level of service quality. Our approach is responsive to the many challenges affecting Leicestershire Police Authority.

If you have any questions regarding matters in this document please contact Mark Jones or Sara Bagnall.

Yours faithfully

PricewaterhouseCoopers LLP

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In March 2010 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 and on the Audit Commission's website. 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 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

Purpose

This audit plan has been prepared to provide the officers and members of the Leicestershire Police Authority (the 'Authority') with information about our responsibilities as external auditors and how we plan to discharge them.

The Authority is accountable for the stewardship of public funds. It is our responsibility to carry out an audit in accordance with the Audit Commission's Code of Audit Practice (the Code).

Based upon discussions with management and our understanding of the Authority and the wider issues affecting the police service, we have set out in a later section of this Audit Plan our assessment of recent developments and other relevant risks. Our plan has been drawn up to consider the impact of these developments and risks.

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 March 2010. This is supported by the Statement of Responsibilities of auditors and of audited bodies (the Statement) which was also updated in March 2010. Both documents are available from the Chief Executive of the Trust or the Audit Commission's website.

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Scope of the audit

We will conduct our audit in accordance with the relevant requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for local government bodies (“the Audit Code”) published by the Audit Commission.

Statement of Accounts

We will conduct our audit of the Statement of Accounts in accordance with International Standards on Auditing (UK and Ireland) as published by the Auditing Practices Board. We will issue an opinion stating whether in our view:

- the Statement of Accounts provides a true and fair view and has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA)/ the Local Authority Scotland Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Service Reporting Code of Practice; and
- the information given in the Explanatory Foreword is consistent with the Statement of Accounts.

In our audit report on the Statement of Accounts, we are also required to report by exception where, in our view, the Annual Governance Statement does not comply with the requirements of “Delivering Good Governance in Local Government: Framework” published by CIPFA/ the Society of Local Authority Chief Executives (SOLACE) in June 2007 or is misleading or inconsistent with information we are aware of from our audit.

As part of our work on the Statement of Accounts we will examine the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and issue an opinion stating whether in our view they are consistent with the Statement of Accounts.

Value for money conclusion

Under the Audit Code we are also required to report on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

As was the case in 2010/11, we will perform the work we consider necessary to allow us to give our statutory value for money conclusion based on the following two criteria specified by the Audit Commission:

- that the Authority has proper arrangements in place for securing financial resilience; and
- that the Authority has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Other reporting requirements

In addition, we are also required to consider:

- whether we need to issue a report in the public interest under s8 of the Audit Commission Act 1998;
- whether we need to make written recommendations for the consideration of the Authority under s11(3) of the 1998 Act;

- whether we believe that the Authority or one of its officers:
 - (i) is about to make or has made a decision which involves or would involve the Authority incurring expenditure which is unlawful;
 - (ii) is about to take or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
 - (iii) is about to enter an item of account, the entry of which is unlawful ;and we need to issue an advisory notice under s19A of the 1998 Act.
- whether there is any item of account for which we need to make an application to the court under s17 of the 1998 Act for a declaration that the item is contrary to law; and
- whether we need to apply under s24 of the 1998 Act for judicial review of any decision or failure to act by the Authority which it is reasonable to believe would have an effect on the accounts.

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Audit approach

2011/12 Risk assessment

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.

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 Audit 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 identified the following risks that are relevant to our 2011/12 audit of Leicestershire Police Authority. Our risk assessment forms the basis for planning and guiding all subsequent audit activities. It allows us to determine where our audit effort should be focused and whether we can place reliance on the effective operation of controls implemented by management. We have separately identified the risks for our audit of the financial statements and our use of resources (value for money) conclusion. Risks are categorised as follows:

-
- *Significant*
 - Financial statements:** Risk of material misstatement due to the likelihood, nature and magnitude of the balance or transaction. These require specific focus in the year.
 - Use of resources (value for money):** Risk of impacting adversely on the use of resources (value for money) conclusion.
-
- *Other*
 - Financial statements:** Although not considered significant, the nature of the balance/area requires specific consideration.
 - Use of resources (value for money):** Relevant to our use of resources (value for money) conclusion and therefore requires specific attention.
-

<i>Risk arising</i>	<i>Financial Statements</i>	<i>Use of Resources (Value for Money)</i>	<i>Categorisation of risks (Significant or Other)</i>	<i>Audit response to the risks identified</i>
<p>Management override of controls</p> <p>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk that management may override controls in order to manipulate the financial statements. A control breach of this nature may result in a material misstatement. For all of our audits, we are required to consider this as a significant risk and plan our audit procedures accordingly.</p>	◆		● Significant	<p>We will consider the level of assurance provided by Internal Audit regarding management's ability to override controls.</p> <p>We will perform procedures to;</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries; • review accounting estimates for bias and evaluate whether circumstances producing any bias represent a risk of material misstatement due to fraud; • evaluate the business rationale underlying significant transactions; and • perform 'unpredictable' procedures. <p>We may perform other audit procedures if necessary.</p>

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<i>Risk arising</i>	<i>Financial Statements</i>	<i>Use of Resources (Value for Money)</i>	<i>Categorisation of risks (Significant or Other)</i>	<i>Audit response to the risks identified</i>
<p>Revenue and expenditure recognition</p> <p>ISA (UK&I) 240 requires that when we identify and assess the risks of material misstatement due to fraud, we shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which revenue streams, revenue transactions or assertions give rise to such risks. We extend this presumption to the recognition of expenditure in our public sector audits. This is because the opportunities to perpetrate fraud, which the ISA considers are usually present in relation to revenue, are more likely to present themselves through manipulation of expenditure in the public sector. Accounting policies or the treatment of income and expenditure may lead to material misstatements in the reported revenue position.</p>	◆		● Significant	<p>We will seek to understand and evaluate relevant revenue and expenditure controls and test controls to confirm they are operating effectively.</p> <p>We will evaluate and test the accounting policy for income and expenditure recognition to ensure that this is consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> <p>We will also perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk.</p>

<i>Risk arising</i>	<i>Financial Statements</i>	<i>Use of Resources (Value for Money)</i>	<i>Categorisation of risks (Significant or Other)</i>	<i>Audit response to the risks identified</i>
<p>Redundancies, severance and ex-gratia payments</p> <p>Terminating the contracts of senior staff and potential large scale redundancies could be high profile and costly. Common areas in which issues may arise include:</p> <ul style="list-style-type: none"> • contract of employment; • reasons for termination; • entitlement to severance, ex-gratia agreements and discretionary benefits; • value for money; and • compromise agreements, gardening leave, pay in lieu of notice and confidentiality clauses. 	◆	◆	● Other	We will review any redundancy, severance and ex-gratia payments as part of our work on the accounts, including consideration of the legality and value for money aspects of any such payments.
<p>East Midlands Special Operations Unit (EMSOU)</p> <p>The Authority is the lead body for EMSOU. 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. As the Authority is the lead body for EMSOU, in previous years we have received requests from the auditors of other east midlands police authorities for information relating to the audit of EMSOU.</p>	◆		● Other	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 Chief Executive/Treasurer. The fee implications of undertaking the scope of expected additional work in 2011/12 are detailed later in the Audit Fee section of this Plan.

Risk arising	Financial Statements	Use of Resources (Value for Money)	Categorisation of risks (Significant or Other)	Audit response to the risks identified
<p>Capital Schemes and Valuations</p> <p>The economic climate has continued the uncertainty around the value of many land and building assets, and the risk of such assets being overvalued on the balance sheet remains 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>	◆		● Other	<p>We will review the basis of valuation and test the underlying data used in the calculations.</p> <p>We will consider the information provided by the Authority's valuer and assess the impact of the assumptions and estimations. Management should ensure that they are comfortable with these values.</p> <p>In addition, we will review the Authority's assessment of the need for impairment of the assets especially given the current economic conditions.</p>
<p>Going Concern / Financial Climate: Short / Medium Term Financial Strategy and Financial Standing</p> <p>Local government bodies are expected to make significant efficiency savings over the next three years. There is a risk that savings plans may not be robust or based on long term solutions which could result in short term actions to ensure that the targets are met.</p> <p>Following the Comprehensive Spending Review, the Authority reassessed its forecast position for the next few years. The Authority needs to determine savings in order to achieve a balanced budget for the medium to long term. In addition to the identification of sustainable savings the Authority will need to consider the impact that such cuts will have on the service provision of the Force.</p>	◆	◆	● Other	<p>We will review the Authority's budget monitoring processes to identify any areas of concern. We will also bear these risks in mind when carrying out cut-off testing.</p> <p>As part of our use of resources work, as well as our work on financial standing, we will consider the Authority's savings plans and consider their robustness.</p> <p>We will also consider the accounting implications of any savings plans and would welcome early discussion of any new and unusual proposals. In particular, we will consider the impact of the efficiency challenge on the recognition of both income and expenditure.</p> <p>We will update our understanding and assessment of the Authority's medium term financial strategy (MTFS) and progress against delivery of required savings targets, this will include some consideration of the sensitivities within the plans.</p>

<i>Risk arising</i>	<i>Financial Statements</i>	<i>Use of Resources (Value for Money)</i>	<i>Categorisation of risks (Significant or Other)</i>	<i>Audit response to the risks identified</i>
<p>Structural change - Loss of knowledge/skills/ experience of staff</p> <p>Structural change and revised organisational structures present an increased risk to the Authority's control framework together with the potential for loss of knowledge/skills/ experience of staff in the short to medium term.</p>	◆	◆	● Other	<p>We will review changes to key roles within the organisation and review the plans of the Authority to address the risk of loss of knowledge/skills/experience.</p>
<p>Governance Changes. Impact of Police and Crime Commissioner</p> <p>The financial challenges facing the Policing service are compounded with changes likely to the Policing service itself; the implications of the Police Reform and Social Responsibility bill, with the introduction of directly elected Police and Crime Commissioners and Part 2 of the Winsor review around police officers and staff remuneration and conditions.</p>	◆	◆	● Other	<p>We will review the progress that the Authority has made/is making in assessing the risks and planning for the upcoming changes.</p> <p>In the short term, capacity issues around the transition work and financial planning for the Olympics, alongside the requirement to produce the 2011/12 account, presents a challenge/ risk to the Authority/Force.</p> <p>The potential need to create a PCC transition reserve (of circa £0.5 million) has been raised with us. If approved by Members, this would be funded from the projected 2011/12 revenue underspend and would therefore feature in the 2011/12 accounts.</p>

Materiality

Our overall materiality is calculated using a ‘rule of thumb’ of 2% of the Authority’s gross expenditure; this represents the level at which we would consider qualifying our audit opinion. However, our audit work is planned around a lower materiality level of 75% of this value.

During the course of our audit work it is not unusual to find relatively small misstatements which do not raise significant concerns for those charged with governance. ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are “clearly trivial”. Matters which are clearly trivial are matters which we expect not to have a material effect on the financial statements even if accumulated. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial. The ISA suggests a benchmark of 5 percent of our audit materiality level, which would suggest a ‘clearly trivial’ level of approximately £200,000.

In the previous year, we agreed with the Audit and Risk Committee that we would report errors detected over a threshold of £50,000 but continued to report all misstatements greater than £1,000 to management. As there is no requirement for us to record errors below the Committee agreed level, we therefore propose to apply the same threshold for reporting to the Audit and Risk Committee and for reporting to management for the 2011/12 audit.

The threshold set for reporting could be further increased from £50,000 up to £200,000. In order to help achieve the necessary efficiencies implicit in the reduction in fees set out later in this Audit Plan, we propose increasing the reporting thresholds for unadjusted misstatements to a level much closer to that allowed by auditing standards. If the Audit and Risk Committee wishes to retain the previous reporting thresholds, this will impact upon the number of items which will require discussion and adjustment and will have an associated impact on the audit fee. We would welcome the Committee’s views on these proposals.

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Communications Plan and Timetable

ISA (UKI) 260 ‘Communications 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 the Authority is the Audit and Risk Committee. Our team works on the engagement throughout the year to provide you with a timely and responsive service.

Below is an overview of the audit process including timelines for reporting to the Audit and Risk Committee.

<i>Month/Deadline</i>	<i>Audit activity</i>
October 2011 - December 2011	External Audit planning and drafting of 2011/12 Audit Plan
10 January 2012	Presentation of Draft 2011/12 External Audit Plan to the Audit & Risk Committee
20 February 2012 (TBC)	Interim audit
31 March 2012	PwC to discuss and agree the schedule of deliverables and the deadlines for delivery of the draft Statement of Accounts for audit
12 June 2012	Complete Statement of Accounts made available to auditors including Annual Governance Statement and the Explanatory Foreword
18 June 2012 (TBC)	Statement of Accounts’ audit commences
11 September 2012	Presentation to Audit and Risk Committee of ISA (UK&I) 260 Report to those Charged with Governance on the audit of the Statement of Accounts
30 September 2012	Deadline date for issue of: <ul style="list-style-type: none"> • Audit Opinion on the Statement of Accounts; • Value for Money Conclusion; and • Opinion on the Whole of Government Accounts return.
30 November 2012 (TBC)	Issue of Annual Audit Letter

TBC = to be confirmed

In addition, we will report to each Audit and Risk Committee on progress with the External Audit.

Risk of fraud

International Standards on Auditing (UK&I) state that we as auditors are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors’ responsibility

Our responsibilities are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management’s responsibility

Management’s responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity’s culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Audit and Risk Committee

Your responsibilities as part of your governance role are:

- to evaluate management’s identification of fraud risk, implementation of anti-fraud measures and creation of appropriate “tone at the top”; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

Conditions under which fraud may occur

Management or other employees have an incentive or are under pressure

Incentive / pressure



Opportunity

Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls

Rationalisation/attitude

Culture or environment enables management to rationalise committing fraud – attitude or values of those involved, or pressure that enables them to rationalise committing a dishonest act

Your views on fraud

We enquire of the Audit and Risk Committee:

- Whether you have knowledge of fraud, whether it is actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols /procedures have been established between those charged with governance and management to keep you informed of instances of fraud, whether they are actual, suspected or alleged?

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Audit engagement team

	Audit Team	Responsibilities
	<p>Engagement Leader</p> <p>Mark Jones 0121 232 2503 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, ISA (UK&I) 260 report and Annual Audit Letter, the quality of outputs and signing of opinions and conclusions. Also responsible for liaison with the Chief Executive and Members.</p>
	<p>Engagement Manager: Accounts and Use of Resources</p> <p>Sara Bagnall 0121 265 6589 sara.bagnall@uk.pwc.com</p>	<p>Manager on the assignment responsible for overall control of the audit engagement and use of resources, ensuring delivery to timetable, delivery and management of targeted work and overall review of audit outputs. Completion of the Audit Plan, ISA (UK&I) 260 report and Annual Audit Letter.</p>
	<p>Team Lead</p> <p>Deborah Chandler 01509 60 4486 deborah.j.chandler@uk.pwc.com</p>	<p>Team Lead is responsible for the onsite delivery of the audit work. Responsibility for liaising with the Corporate Accountant and the finance team.</p>

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

Members and senior officers should not seek or receive personal financial or tax advice from PwC. Non-executives who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put 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 Leicestershire Police Authority, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

Audit fees

The Audit Commission has provided audit fee levels for local government bodies for the 2011/12 financial year, based on the fee for 2010/11 adjusted for the reductions set out in the final work programmes and scales of fees documents available on the Commission's website. The fee scale for the audit of the Authority is £74,152 (excluding work on EMSOU and VAT), a reduction of 8% compared to the 2010/11 fee of £80,600 (excluding work on EMSOU and VAT).

The scale fee takes into account assessments we made in 2010/11 about audit risk and complexity, and the Commission expects variations from the scale fee to occur only where these factors are significantly different from those identified and reflected in the 2010/11 fee.

As in previous years, we expect to be requested to undertake specific work on East Midlands Special Operations Unit (EMSOU) and to report the findings of our work to the auditors of the other bodies which form EMSOU. We propose that the fee for this work remains at the same level as last year, £5,100 (excluding VAT), provided that there is no change in the scale of work requested by other auditors.

Our assessments about audit risk and complexity have been based on the following assumptions:

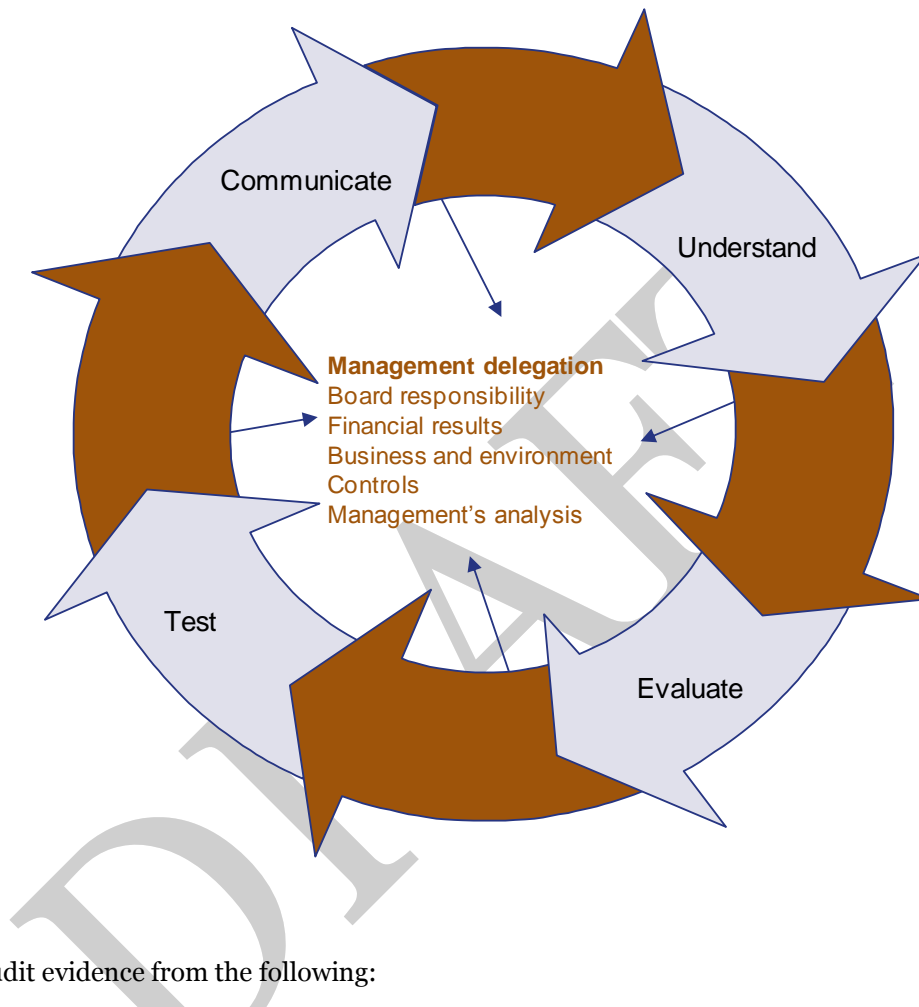
- officers meeting the timetable of deliverables, which we will agree in writing;
- we are able to place reliance, as planned, upon the work of internal audit;
- we are able to draw comfort from your management controls;
- we are able to place reliance as considered necessary on the work of inspectors and internal audit in respect of our value for money conclusion;
- no significant changes being made by the Audit Commission to the value for money criteria on which our conclusion will be based;
- an early draft of the Annual Governance Statement being available for us to review prior to 31 March 2012;
- our value for money conclusion and accounts opinion being unqualified; and
- no change in the scale of work requested by other auditors regarding EMSOU.

If these prove to be unfounded or other changes in audit risk or complexity are identified, we will seek a variation order to the agreed fee, to be discussed in advance with you.

Appendices

Appendix 1: Audit approach

We continue to adopt a risk-based audit methodology and strategy to align this even more closely with management's assessment of the business risks to ensure that appropriate processes and controls are in place. The main features of our approach are set out below:



We obtain our audit evidence from the following:

- meetings/discussions with senior management to understand the business, the risks and the control processes upon which management rely, building on our previous knowledge and experience;
- evaluation of how well management manages the business, with a focus on key operational targets;
- testing of that assessment/gathering evidence;
- assessment of the materiality of each financial component, the risks attached, the effectiveness of management's control processes and the relevance to the financial statements; and
- analytical review and other substantive procedures, as necessary.

Appendix 2: Recent developments

New requirements in the Code of Accounting Practice

The Code of Practice on Local Authority Accounting in the United Kingdom for 2011/12 was published in Spring 2011 setting out the following substantial changes in accounting requirements for local authorities:

- There is a new requirement for a disclosure note setting out the number of **exit packages** agreed, analysed between compulsory redundancies and other departures and presented in £20,000 bands up to £100,000 and £50,000 bands above £100,000. The total cost of packages in each band **must** also be disclosed. (There will be scope to combine bands if this is necessary to ensure that individual packages cannot be identified.)
- The **related parties'** disclosures have been simplified where the Authority has transactions with government departments and agencies, NHS bodies and other local authorities, limiting disclosure to individually or collectively significant transactions.

Carbon Reduction Commitment

2011/12 is the first year that the Authority is required under the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme to purchase and surrender CRC allowances in proportion to the emissions it makes during the year. Although the surrender in relation to 2011/12 will take place in 2012/13, the Authority will need to account at 31 March 2012 for the consequences of the emissions it has made in 2011/12.

When this report was issued there was no specific guidance available to local authorities as to how CRC obligations should be reflected in the Statement of Accounts. However, it is probable that provisions will need to be made at 31 March 2012 in relation to any costs likely to be incurred in meeting obligations relating to 2011/12 emissions.

Appendix 3: 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 five further matters which are not currently included within the guidance, but which 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 James Chalmers, 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.

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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