

**Reference** 20090422.annual audit fee 09/10.Ms Crawford

22 April 2009

Ms C. Crawford  
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Metropolitan Police Authority  
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Dear Catherine

### **Annual audit fee 2009/10**

Further to our discussions on April 21, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at the Metropolitan Police Authority (MPA) and Metropolitan Police Service (MPS). 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 Audit Commission for 2009/10; and
- reflects only the audit element of our work, excluding any inspection and assessment fees.

As I have not yet completed my audit for 2008/09, the audit planning process for 2009/10, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary.

### **Audit fee**

The proposed indicative fee for the audit for 2009/10 is £516,000, an increase of 1.2% on the planned fee of £510,000 for 2008/09. A summary of this is shown in the table below.

**Table 1 Proposed audit fees**

<b>Audit area</b>	<b>Proposed fee 2009/10 £000</b>	<b>Planned fee 2008/09 £000</b>
Financial statements	365	361
Use of Resources/VFM Conclusion [including risk based work]	151	149
<b>Total audit fee</b>	<b>516</b>	<b>510</b>

In setting the fee at this level, 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 2008/09. A separate plan for the audit of the financial statements in 2009/10 will be issued in December 2009. This will detail the risks identified, planned audit procedures and any changes in fee.

Please note that the proposed fee makes no allowance for additional audit work which may be necessary should the MPA/S decide to implement an early closure of accounts in 2009/2010. I recognise that this matter has yet to be discussed in any detail within the MPA/S.

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 MPA Treasurer and then prepare a report outlining the reasons why the fee needs to change for discussion with the Authority's Corporate Governance Committee.

My police use of resources (PURE) assessment 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 PURE assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on PURE informs my 2009/10 value for money conclusion. I have identified a number of risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the MPA/S to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below:

**Table 2 Risk-based reviews**

Risk	Planned work	Timing of work
<b>Asset management</b>		
<p>The MPA/S manages a fixed asset base valued at around £1.9 billion.</p> <p>Sound asset management is a key aspect of a body's arrangements to achieve economy, efficiency and effectiveness.</p> <p>Following the May 2008 elections the new MPA commenced a review of police assets.</p>	<p>We will assess the extent to which the MPA/S manages assets effectively to help deliver its strategic priorities and service needs. The scope will include assessing the strategies in place; the extent to which assets are managed to achieve value for money; and evidence of benefits derived from effective partnership and community working.</p> <p>We will draw on the work of other agencies, particularly the MPA's internal auditors and HMIC where appropriate.</p>	<p>To be discussed in more detail with officers.</p>
<b>Preparations for the Olympics</b>		
<p>Preparations for policing the 2012 Olympics are gathering pace and will make increasing demands on the financial and governance arrangements within the MPA/S in the next three years.</p>	<p>We will consider the arrangements in place to manage the responsibilities imposed on the police by the Olympics, with particular reference to the PURE themes of:</p> <ul style="list-style-type: none"> <li>• managing finances;</li> <li>• governing the business; and</li> <li>• managing resources.</li> </ul>	<p>To be discussed in more detail with officers.</p>

The scope of each piece of work will be separately discussed with you and a project specification agreed before it is commenced.

In addition to the specific risks identified above, the plan provides for the work required to enable me to reach an assessment of police use of resources for 2009/2010. The scale of this work will be informed by the outcome of the work undertaken in 2008/09, any subsequent changes to the methodology and emerging risks at the MPA/S.

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 work the Commission may agree to undertake using its advice and assistance powers.

The key members of the audit team for the 2009/10 are shown in the table below.

**Table 3      Audit team**

<b>Name</b>	<b>Contact details</b>	<b>Responsibilities</b>
<b>Les Kidner</b> District Auditor	<a href="mailto:l-kidner@audit-commission.gov.uk">l-kidner@audit-commission.gov.uk</a> 0844 798 2303	Responsible for the delivery of the audit programme, ensuring it is compliant with international auditing standards, meets mandatory quality standards and the requirements of the Code.
<b>Martin Searle</b> Senior Audit Manager	<a href="mailto:m-searle@audit-commission.gov.uk">m-searle@audit-commission.gov.uk</a> 0844 798 2678 / 07876 397608	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance. Reports to District Auditor.
<b>Tom Edgell</b> Audit Manager	<a href="mailto:t-edgell@audit-commission.gov.uk">t-edgell@audit-commission.gov.uk</a> 0844 798 2625	Works to the Senior Audit Manager and controls the day-to-day audit.

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 Regional Director, Brian Willmor via his email address [b-willmor@audit-commission.gov.uk](mailto:b-willmor@audit-commission.gov.uk).

Yours sincerely

**Les Kidner**  
**District Auditor**

cc Ken Hunt, Treasurer for the MPA  
Anne McMeel, MPS Director of Resources

## Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers in accordance with the audit protocol before being issued to the Corporate Governance Committee.

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**Table 4    Planned outputs**

<b>Planned output</b>	<b>Indicative date</b>
Full audit plan	December 2009
<b>Opinion</b>	
Annual governance report	September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	30 September 2010
Opinion audit report	October 2010
<b>Police use of resources</b>	
PURE: - scores issued - report	September 2010 October 2010
Risk-based reviews: Asset Management Olympics	Timing to be discussed but target for delivery will be March 2010.
<b>Overall</b>	
Annual audit letter	November 2010