

9 April 2010

Ms C. Crawford  
Chief Executive  
Metropolitan Police Authority  
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Dear Catherine

### Annual audit fee 2010/11

I am writing to outline the audit work that we propose to undertake for the 2010/11 financial year and the indicative audit fee. The fee is based on the risk based approach to audit planning set out in the Code of Audit Practice and work mandated by the Audit Commission for 2010/11.

My audit for 2009/10 is currently under way and my audit planning 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 £516,000, which is the same as the planned fee for 2009/10. A summary of this is shown in the table below.

**Table 1 Proposed audit fees**

<b>Audit area</b>	<b>Proposed fee 2010/11 £000</b>	<b>Planned fee 2009/10 £000</b>
Financial statements	395	365
Use of Resources / VFM Conclusion	121	151
<b>Total audit fee</b>	<b>516</b>	<b>516</b>

## **Financial statements**

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. 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 £22,963 in April 2010.

There are also changes in International Auditing Standards for 2010/2011 which will increase the audit procedures I must carry out. However the Audit Commission will absorb the cost of these within the fee.

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 the present and I will issue a more detailed 'opinion audit plan' for the audit of the financial statements in 2011 once the audit of your 2009/10 statements has been concluded. This plan will record the risks identified, planned audit procedures and any change to the fee. If I need to make any significant amendments to the audit fee during the audit, I will first discuss this with you. I will then prepare a report outlining the reasons the fee needs to change for discussion with the Audit and Corporate Governance Committee.

## **Police Use of Resources (PURE)**

My use of resources assessment (PURE) 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 2010/11. My work on PURE informs my 2010/11 value for money conclusion. For each of the risks I have identified at this stage in relation to my value for money conclusion, I will consider the arrangements put in place by the MPA/S to mitigate the risk, and plan my work accordingly. My initial planning for value for money audit work highlighted the following risks:

- Medium term financial planning and achieving efficiencies
- Territorial Policing realignment
- Procurement and compliance with contract regulations
- Risk management
- Treasury management and governance arrangements in relation to investments.

My intention is to carry out the audit work required to mitigate the risks within the overall scope of our PURE work. However, should any specific audit work arise from any of these developing risk areas I will consider carrying out a separate project. In such a case I will issue a separate project specification before beginning the work.

The planned outputs from my work over the course of the audit are listed at Appendix 1.

### Advice and Assistance work

The above fee excludes work the Commission may agree to undertake using its advice and assistance powers. The Audit Commission and MPA Internal Audit delivered a series of sixteen 'Raising Fraud Awareness' workshops to MPA/S staff and police officers in early 2009. These workshops utilised the Audit Commission's 'Changing Organisational Cultures' toolkit which aims to help bodies assess their anti-fraud arrangements and the effectiveness of their organisational culture in preventing wrongdoing. I have agreed to carry out a series of ten additional workshops in 2010. This work will be delivered under the Audit Commission's Advice and Assistance powers granted by the Local Government and Public Involvement in Health Act 2007. This work does not form part of the opinion and value for money conclusion work delivered annually as part of the Code of Audit Practice, and will be invoiced separately.

### The audit team

The key members of the audit team for the 2010/11 audit are shown in the table below:

**Table 2      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 2304	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-today audit.
<b>Halima Thomas</b> Principal Auditor	<a href="mailto:h-thomas@audit-commission.gov.uk">h-thomas@audit-commission.gov.uk</a>  0844 798 2684	Works to the Audit Manager and coordinates the on-site audit work.

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 R. Atkins, Treasurer for the MPA  
A. McMeel, MPS Director of Resources  
J. Norgrove, MPA Director of Audit and Risk Assessment

## 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.

**Table 3 Planned outputs**

<b>Planned output</b>	<b>Indicative date</b>
Audit Fee Letter	April 2010
<b>Opinion</b>	
Opinion audit plan	January 2011
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Detailed opinion audit report	October 2011
<b>Police use of resources</b>	
PURE: - scores issued - report	September 2010 October 2010
<b>Overall</b>	
Annual Audit Letter	November 2010