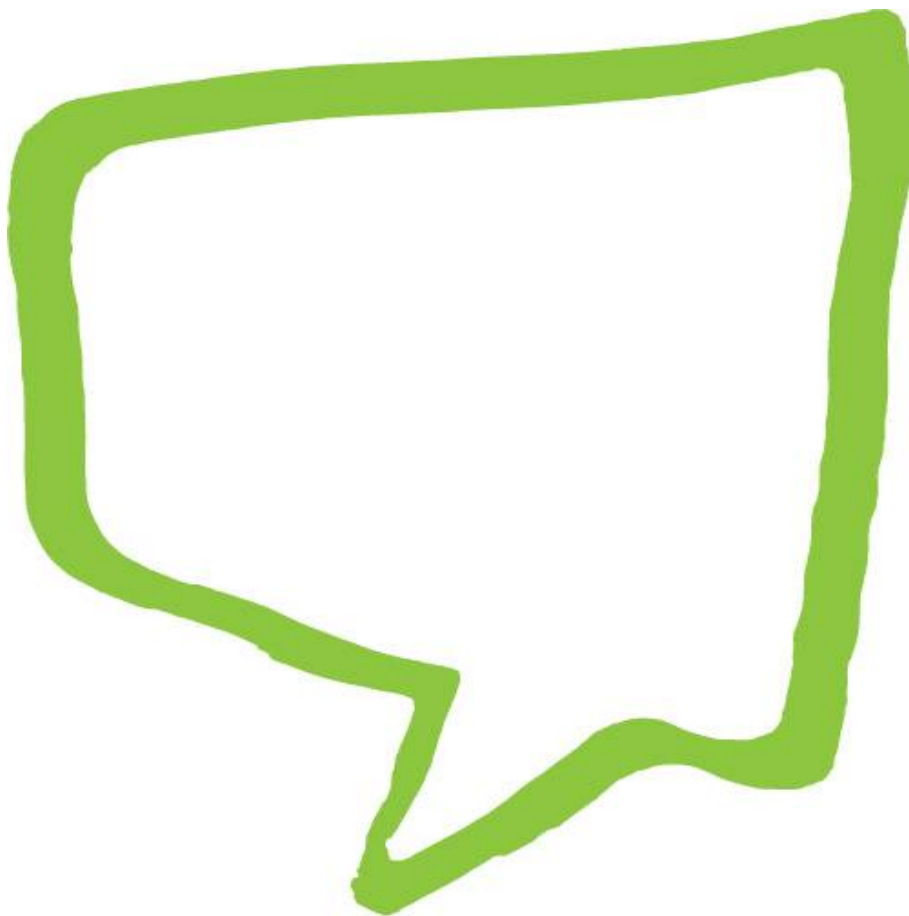


Audit Opinion Plan

Metropolitan Police Authority

Audit 2008/09

March 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
 - any third party.
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Introduction

- 1 We issued our initial audit plan for 2008/09 to the Corporate Governance Committee on 12 June 2008, which set out the work that we proposed to undertake in order to satisfy our responsibilities under the Audit Commission's Code of Audit Practice. We are required by professional auditing standards to specify the detailed risks that we need to consider as part of our opinion planning work. As the initial audit plan was produced at the start of the financial year for fee purposes, it was not possible to specify these risks. We are now in a position to do this as the opinion work is about to commence. We are required to:
 - identify the risk of material misstatements in your accounts;
 - plan audit procedures to address these risks; and
 - ensure that the audit complies with all relevant auditing standards.
- 2 We have therefore set out below our approach to identifying opinion audit risks and have considered the additional risks that are appropriate to the current opinion audit.

Identifying opinion audit risks

Organisation level risks

- 3** As part of our audit risk identification process we need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. We do this by:
- establishing the nature of the Authority's activities;
 - identifying the business risks facing the Authority, including assessing your own risk management arrangements;
 - considering the financial performance of the Authority; and
 - assessing internal control - including reviewing the control environment, the IT control environment and internal audit.

Information system risks

- 4** To comply with ISA (UK&I) 315 we need to assess the risk of material misstatement arising from the activities and controls within the Authority's information systems. To be able to assess these risks we need to identify and understand the material systems and document that understanding.
- 5** Material systems are those which produce material figures in the annual financial statements. We have identified that the Authority has ten material systems. For these systems we need to demonstrate our understanding by documenting the following.
- How transactions are initiated, recorded, processed and reported in the financial statements.
 - The accounting records relevant to the transactions.
 - How the Authority identifies and captures events and conditions which are material to the financial statements.
 - The financial reporting process used to prepare the financial statements.

Identification of specific risks

- 6 We have considered the additional risks that are appropriate to the current opinion audit and have set these out below.

Table 1 Specific risks
Specific opinion risks identified

Risk Area	Residual Risk	Audit response
During 2008/09 the Authority purchased New Scotland Yard, a key asset which the Authority was occupying through an operating lease arrangement. As a result, there may be complex transitional arrangements or contractual clauses that impact on the accounting entries for this acquisition.	Yes	We will review the Authority's accounting entries for the acquisition of New Scotland Yard to acquire sufficient assurance that this matter has been presented fairly in the accounts.
The Authority has investments totalling £30million in Landsbanki Bank. CIPFA has prescribed specific accounting requirements for these investments in LAAP Bulletins 78 and 79	Yes	We will review the Authority's accounting treatment of the Landsbanki holdings.
The appointment of new Authority members and a new MPA Chair in 2008 has implications for the maintenance of records for related party declarations, particularly in relation to outgoing members who left part-way through the financial year.	Yes	We will review the Authority's arrangements for identifying and disclosing related party transactions in the financial statements. We will review the completeness of the related party disclosure and supporting audit trail.
Last year the Authority established a Revaluation Reserve in accordance with SORP 2007. Detailed accounting records will be required to demonstrate that impairment losses and asset disposals are correctly accounted for this year.	Yes	We will review the Authority's accounting treatment for fixed assets and movements on the Revaluation Reserve.

Audit fees

- 7 In my original audit plan, the fee for the audit (including use of resources and inspection) was based on my best estimate at the time and agreed at £510,000. Having considered the above risks I remain satisfied that the original estimate was entirely appropriate and no adjustment is therefore required to the fee.

Testing strategy

- 8 We look to place as much reliance on internal audit work as possible to minimise the audit burden on MPA and MPS staff. Specifically, we will seek to place reliance on internal audit's work on material financial systems and undertake testing on key controls, that is, those controls which, should they fail, may lead to material errors in the accounts. Residual assurance will then be obtained from our post-statements testing phase, which consists mainly of substantive tests of the main transaction streams and material accounts balances that we need to perform at the year end.

Key milestones and deadlines

- 9 The Authority is required to prepare the financial statements by 30 June 2009. We are required to complete our audit and issue our opinion by 30 September 2009. The key stages in the process of producing and auditing the financial statements are shown in Table 2.
- 10 We will agree with you a schedule of working papers required to support the entries in the financial statements.

Table 2 Proposed timetable

Task	Deadline
Interim audit	February/May 2009
Receipt of accounts	By 1 July 2009
Forwarding of audit working papers to the auditor	By 1 July 2009
Statements testing	July/August 2009
Present report to those charged with governance at the Corporate Governance Committee	By 30 September 2009
Issue of opinion	By 30 September 2009
Audited accounts published	By 30 September 2009

The Audit Commission

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As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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