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Andy Marsh
Chief Constable
Hampshire Constabulary
Police Headquarters
West Hill
Winchester
Hampshire
SO22 5DB

20 March 2013

Ref: HP CC/1213&1314feeletter

Direct line: 023 8038 2043

Email: KHandy@uk.ey.com

Dear Andy

Chief Constable for Hampshire Constabulary Annual Audit Fees 2012/13 and 2013/14

We are writing to confirm the audit work that we propose to undertake for the 2012/13 and 2013/14 financial years for the Chief Constable of Hampshire Constabulary (CC). We are writing separately to the Police and Crime Commissioner on the 2012/13 and 2013/14 fees for the PCC. The fees reflect the risk-based approach to audit planning set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2012/13 and 2013/14. The audit fee covers the:

- ▶ Audit of the financial statements for the CC;
- ▶ Value for money conclusion for the CC; and
- ▶ Whole of Government accounts for the CC.

Our fees have been set by the Audit Commission as part of the recent 5 year procurement exercise and consequently they are not liable to increase in that period without a change in scope.

Indicative audit fee

For 2012/13 and 2013/14 the Audit Commission has consulted and set the work programme and scale fees for each audited body. Fees for police bodies for 2012/13 reflected the increase in audit work arising from the changes introduced by the Police Reform and Social Responsibility Act 2011, requiring auditors to undertake audits of two statutory bodies in a police area from 2012/13, rather than one. This additional work meant that for 2012/13 fees for police bodies reduced by a net 13 per cent as opposed to 40 per cent applicable for local authorities and NHS bodies. The 2012/13 overall fee for each police area, covers the audit of the PCC and CC, and includes an element for auditors' work on financial reporting requirements for the transition from police authorities. The Audit Commission intend to remove this element for 2013/14, reducing the fee for the police and crime commissioner by a further 7 per cent from 2012/13.

The scale fees for the CC are based on certain assumptions, including:

- ▶ Aside from the additional work and fee in 2012/13 on transition to PCC and CC, the overall level of risk and complexity in relation to the audit of the CC is not significantly different from that used by the previous auditors in their 2011/12 audit of the Police Authority;



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- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- ▶ The financial statements for the CC will be available to us in line with the agreed timetable;
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- ▶ Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee. Based on these assumptions, the CC indicative audit fees for 2012/13 and 2013/14 are set out in the table below. We are writing separately to the PCC on the indicative fee for 2012/13 and 2013/14.

	CC scale fee £	Prior year fee £
2012/13 Code audit fee	25,000	99,866
2013/14 Code audit fee	25,000	25,000

* Note the prior year fee for 2011-2012 is the total external audit fee for the Police Authority.

Any additional work that we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance. Our audit plan for the 2012/13 audit of the financial statements will be issued in June 2013. This will detail the significant financial statement risks identified, planned audit procedures to respond to those risks, and any changes in fee. It will also set out the risks identified in relation to the Value for Money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Chief Finance Officer of the CC and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Joint Audit Committee. Our audit plan for the 2013/14 audit of the financial statements will be issued in June 2014.

Billing

The indicative CC audit fees will be billed in instalments. We will discuss the billing arrangements with you.

Audit team

The key members of the audit team for 2012/13 are:

Kate Handy
Director

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We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

A handwritten signature in black ink that reads 'Kate Handy'.

Kate Handy
Director
Ernst & Young LLP
United Kingdom

cc.

Mike Attenborough-Cox, Chair of the Joint Audit Committee
Richard Croucher, CC Chief Finance Officer
Carolyn Williamson, PCC Chief Financial Officer