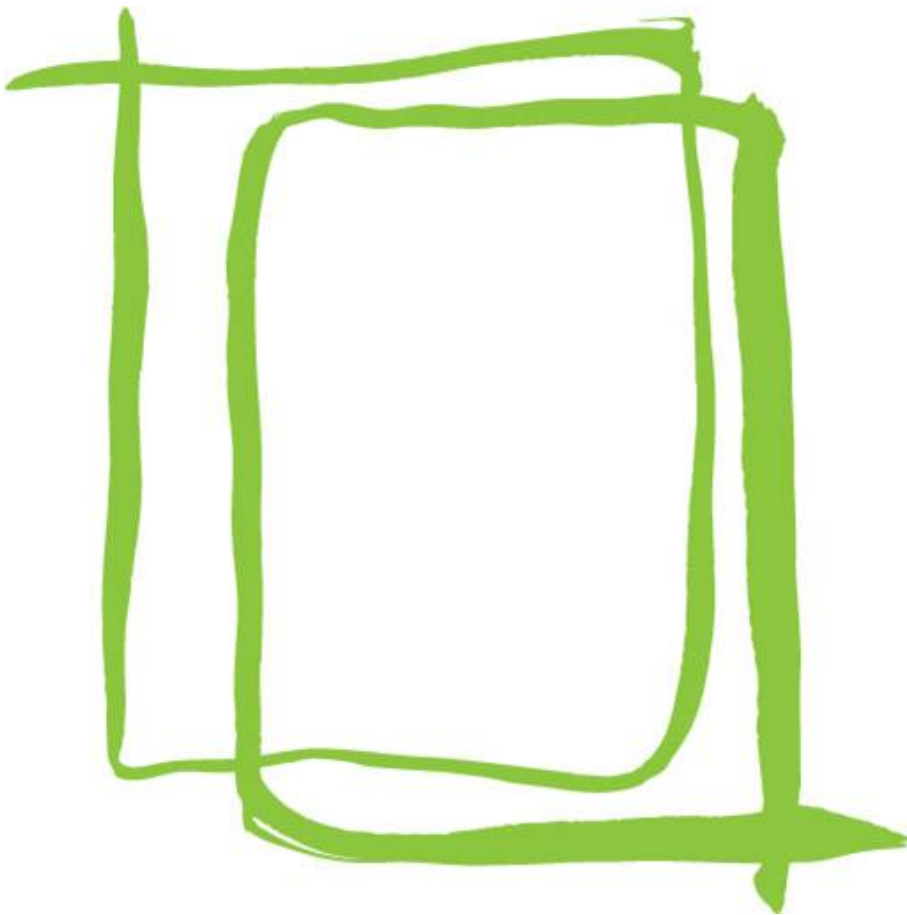


Police Use of Resources

Metropolitan Police Authority

Audit 2008/09

November 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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Summary

This report summarises our key findings from our assessment of how the Metropolitan Police Authority and Metropolitan Police Service is managing and using resources to deliver value for money and better and sustainable outcomes for local people.

- 1** The Metropolitan Police Authority (MPA) and Metropolitan Police Service (MPS) are assessed as achieving an overall score of 2 (scoring ranges from 1 - poor performance to 4 -excellent performance) for the year 2008/09 in managing and using resources to deliver value for money and better and sustainable outcomes for local people. This equates to having arrangements that are consistent with established professional practice and guidance, which meet statutory requirements and operate effectively.
- 2** While the score equates to that of 2007/08, the overall direction of travel for the MPA and MPS continues to be positive and substantial progress has been made to modernise corporate processes, which should provide a sound foundation to improve efficiency and effectiveness in the future.
- 3** The MPA and MPS were assessed as delivering good outcomes in financial management and workforce planning, demonstrating a sound financial performance in 2008/09 and exhibiting many strengths in aspects of workforce management, including sickness absence management and the promotion of diversity.
- 4** Progress is also evident in terms of achieving efficiencies, financial reporting, procurement and governance arrangements. These advances should enable the MPA and MPS to achieve better value for money and outcomes in future years.
- 5** There are other areas where further improvements are required to sustain the positive direction of travel for the MPA and MPS. These are summarised as:
 - improving the quality of police crime data;
 - understanding the organisation's cost base, which continues to be high;
 - strengthening internal control through improved compliance with internal procedures and regulations; and
 - improving the clarity in corporate risk management arrangements, particularly for MPA members.
- 6** The detailed report considers our overall findings against the eight areas of focus which comprise the 2008/09 PURE assessment. Throughout the report we make recommendations. An action plan is provided at Appendix 1 to this report which we encourage management and members to review and agree.
- 7** We would like to thank staff from both the MPA and the MPS for their cooperation and work in providing us with evidence and information to inform this year's PURE assessment. We look forward to continuing to work with MPA/S staff in 2009/10.

Introduction

- 8 This report sets out my conclusions on how well the MPA and MPS are managing and using resources to deliver value for money and better and sustainable outcomes for local people and give scored use of resources theme judgements.
- 9 In forming scored theme judgements, I have followed the methodology set out in the [use of resources framework: overall approach and key lines of enquiry \(KLOE\) document](#) and the use of resources [auditor guidance](#). For each of the specific risks identified in relation to our use of resources work, which were set out in our audit plan, we considered the arrangements put in place by the MPA and MPS to mitigate the risk and plan our work accordingly.

Use of resources framework

- 10 In seeking to foster continuous improvement the Audit Commission introduced a more rigorous and broader based methodology for assessing a body's use of resources in 2008/09. Assessments focus on three themes as follows.
- Sound and strategic financial management;
 - Strategic commissioning and good governance; and
 - The management of natural resources, assets and people.
- 11 The three themes are informed by eight detailed key lines of enquiry (KLOE) and the assessment criteria are more stringent than previously, with a focus on tangible outcomes delivered for local communities rather than internal processes. Members should take this into account when considering relative performance between 2008/09 and previous years, and note that in many cases there is a substantial time-lag between implementing an initiative and tangible impact for the community.
- 12 The scores for each theme are based on the scores reached by auditors on the underlying KLOE. The KLOE are generic and applicable equally to all organisations subject to use of resources judgements. This promotes consistency, demonstrating all organisations are treated in the same way, and to the same standards.
- 13 The Commission specifies in its [annual work programme and fees document](#), which KLOE are assessed over the coming year.
- 14 Judgements have been made for each KLOE using the Commission's current four point scale from 1 to 4, with 4 being the highest, please see Table 1. Level 1 represents a failure to meet the minimum requirements at level 2. Should a body be assessed as not achieving minimum standards in any relevant criteria (ie a score of 1), then the Value for Money (VFM) conclusion would be qualified in this respect.

Introduction

Levels of performance

Level 1	Does not meet minimum requirements – performs poorly
Level 2	Meets only minimum requirements – performs adequately
Level 3	Exceeds minimum requirements – performs well
Level 4	Significantly exceeds minimum requirements – performs excellently

Source: [use of resources framework: overall approach and KLOE document](#)

Police Use of resources judgements

Scored judgements: overall and theme

- 15** The Audit Commission assessed the Metropolitan Police Authority (MPA) as achieving an overall score PURE of 2 in 2008/09. This equates to achieving adequate performance and having arrangements that are consistent with established professional practice and guidance, which meet statutory requirements and operate effectively. The preliminary national picture for police authorities is that 17 (or 44 per cent) of authorities scored 2, while 22 (or 56 per cent) scored 3, with none scoring 1 or 4
- 16** The MPA's use of resources overall and theme scores are shown in Table 2, along with the scores for each of the eight underlying key lines of enquiry (KLOEs) assessed in 2008/09. Findings for each key line of enquiry are set out in more detail in the paragraphs below.

Table 1 Use of resources theme scores

Use of resources theme (in bold) Key lines of enquiry (non-bold)	Scored judgement
Managing Finances	Overall theme score: 2
KLOE 1.1 - Planning for financial health	3
KLOE 1.2 - Understanding costs and achieving efficiencies	2
KLOE 1.3 - Financial reporting	2
Governing the business	Overall theme score: 2
KLOE 2.1 - Commissioning and procurement	2
KLOE 2.2 - Use of information	2
KLOE 2.3 - Good governance	2
KLOE 2.4 - Risk management and internal control	2

Police Use of resources judgements

Use of resources theme (in bold) Key lines of enquiry (non-bold)	Scored judgement
Managing resources	Overall theme score: 3
KLOE 3.1 - Natural resources	Not assessed this year
KLOE 3.2 -Strategic asset management	Not assessed this year
KLOE 3.3 - Workforce	3
OVERALL USE OF RESOURCES	2

Managing finances

- 17** This theme assesses how effectively the MPA/S manages finances to deliver value for money. It is made up of the following key lines of enquiry, which are considered further below.
- Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?
 - Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?
 - Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?

KLOE 1.1 - Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?

- 18** The MPA/S's medium-term financial planning processes are robust with evidence of extensive input from elected members and the public. MPA members are involved at all key points in the business planning process, including robust scrutiny and challenge of financial plans and savings and growth proposals through a series of 'Star Chamber' meetings.
- 19** Financial planning processes have been better integrated with business planning this year with the alignment of the financial and business planning cycles and improvements in the linkage between the medium-term financial plan (MTFP) and other key strategies and plans. In particular, the financial implications of workforce plans are well-developed and are regularly updated which facilitates effective, timely decision-making by management.
- 20** There is a clear linkage between the MTFP and corporate priorities. The corporate strategic assessment - a formal twice yearly 'reality check' of business needs, performance and crime data - ensures that new and emerging priorities are identified and resource requirements assessed and acted on at an early stage. Regular meetings between the MPS Director of Resources and business group managers have also been effective in ensuring that needs and emerging priorities from across the business are reflected in corporate plans and appropriate resources allocated to them.
- 21** The MPA/S has a good track record of achieving financial targets whilst maintaining reserves slightly above target levels. This has allowed the MPA/S to reduce the level of Council Tax precept required to fund policing levels in 2008/09 compared with 2007/08, and is the only authority / force in the country to have achieved this. It is important however, that the MPA/S periodically reviews its level of reserves and considers the opportunity costs of holding reserves above target levels.

Managing finances

22 The MPA/S has also successfully invested in corporate priorities and has demonstrated that financial plans are responsive to change. Notable outcomes achieved in year include the following.

- Operation Blunt 2, which has led to a 13 per cent reduction in knife crime between 2007/08 and 2008/09.
- Operation Tyrol, a priority for the new Mayor, which saw £8m invested to increase police presence at key transport hubs.
- Joint-funding of additional policing on boroughs which has led to a 16 per cent decrease in anti-social behaviour and crime in the boroughs so far piloted.
- The acquisition of New Scotland Yard after evaluation of an offer from the former landlord.

23 Overall, crime statistics are at a ten year low, indicating that resource allocation to priority areas has achieved results. Satisfaction rates, and particularly the satisfaction gap between white and minority ethnic victims, have deteriorated over the course of the year however, and remain a key area of management focus.

24 An extensive programme of financial awareness training is provided to staff and officers with financial responsibilities. However, limited financial training was provided to the new MPA membership during 2008/09.

25 The circumstances of the Authority's investment of £30 million with the Icelandic bank, Landsbanki in October 2008, when the latter was nationalised, have been investigated and reported to Members. The conclusion was that while there had been no breach of the Treasury Management Strategy this potential loss could have been avoided had the banks been removed from the lending list when the former Treasurer first expressed concern about investing in the Icelandic banking sector. Since then the Treasury Management Strategy has been updated to reflect the current risk environment and communications between the MPA Treasurer and the MPS Investment Managers are being improved.

Recommendations

R1 Review the level of reserves regularly to ensure that reserves held remain appropriate and that the opportunity cost of holding them is considered.

R2 Provide regular financial training to MPA members.

R3 The Authority should ensure it maintains effective control of the treasury management function and monitors compliance with the Treasury Management Strategy.

The MPS may find it useful to supplement this with a programme of its own spot checks on treasury management decisions to ensure they comply with policy.

KLOE 1.2 - Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?

- 26** The Authority has a good track record of achieving planned efficiencies and reports that its efficiency target of £144m for 2008/09 was exceeded by £3.9m whilst maintaining general reserves slightly above target levels. Notable achievements in 2008/09 include the successful implementation of a deployment protocol reducing the cost at which forces are supplied from other forces. National negotiations are taking to put in place appropriate arrangements to cover the provision of planned and emergency deployment of officers to support the 2012 Olympic Games.
- 27** The MPA/S plan for efficiencies over a three year time horizon, allowing management and members to take a strategic view of their impact and extent to which proposed savings are sustainable over the medium-term. The MPA/S attempted to minimise the impact of efficiency savings on service delivery by targeting savings away from front-line policing as part of 2009/10 business planning.
- 28** The MPA/S is working towards understanding its costs and cost drivers and providing decision-makers with high quality costing information. A corporate benchmarking exercise was carried out during 2008/09 which identified several high spending areas, including premises, supplies and services and ICT. Management is focusing on these areas to identify the key factors driving costs and the extent to which there is scope for costs to be driven down in these areas. This work is expected to inform the business planning process for 2010/11 and beyond.
- 29** To date, benchmarking of costs has not been used more widely as a means of driving efficiencies. There has also been limited work to date to understand the costs associated with the MPA/S's national and international city functions, on which the MPS estimates £603m was spent in 2008/09, and the extent to which value for money is being achieved in these areas.
- 30** The MPS Costing Team provides managers and officers across the business with detailed costing data and advice. It is then down to managers and officers to ensure this information is used to its full potential to drive up value for money. In 2008/09 the data supplied by the Costing Team allowed the MPS to accurately plan for and report to the MPA on the cost of policing of major events like the G20 protests and the Notting Hill Carnival. This work allowed the MPA/S to identify a shortfall in the funding available to police the G20, and to successfully bid for the additional funding it required from the Home Office.
- 31** Significant savings are anticipated from planned major corporate programmes, most notably Developing Resource Management and Transforming Human Resources (THR). Several innovative schemes, including reviewing staffing models in custody suites and establishing virtual courts for routine offences, are expected to generate savings, but had yet to lead to significant savings in the year under review. For future assessments it will be important for the MPA/S to be able to demonstrate how improvements to internal processes and arrangements have translated to better value for money through to benefits and better outcomes for the community.

Recommendations

- R4** Make more extensive use of cost benchmarking across key services and areas of functional spend to identify areas of high cost, assess the key cost drivers, and determine the extent to which efficiencies can be achieved in these areas.
The MPS may find it helpful to use HMIC's recent VFM profile tool to inform this work.
- R5** Review the costs associated with the National and International Capital City function to ensure costs incurred are in line with priorities and risks, and that appropriate value for money is being achieved and appropriate costs re-claimed.
- R6** Follow up costing exercises to demonstrate how costing information has been used to facilitate option appraisal, inform strategic decision-making and, where appropriate, identify efficiency savings.

KLOE 1.3 - Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?

- 32** The MPA/S's financial reporting is reliable and timely. The financial information reported to MPA members each month is of a good quality and includes data on key areas of interest to allow members to put financial performance into context, including officer strength against target and overtime costs across business groups. Financial reports are presented with supporting narrative to explain the key factors influencing financial performance in easy-to-understand terms. The financial implications of specific initiatives and policy decisions are reported to MPA members separately, with examples in 2008/09 including joint-funding of additional officer posts on boroughs and the Project Herald review of custody suite staffing.
- 33** There remains scope for further improvement. Whilst the financial information received by members contains relevant non-financial information, no one member group routinely receives financial and operational performance data for the business as a whole, limiting the extent to which the impact of operational performance on financial performance can be assessed and scrutinised. Discussions with MPA members indicate that the quality of reporting is generally regarded as sound but there is scope to improve the quality of supporting performance and risk management information. Reports to members on specific initiatives could in some instances be enhanced to better reflect the range of options available, the operational benefits expected to result from them, and the risks and costs associated with each.
- 34** The process for preparing the financial statements has continued to improve this year and is sound. Working relationships with finance staff are good, and this facilitated an expedient audit of the 2008/09 accounts. Audit work on the 2008/09 accounts found income and expenditure to be fairly stated and none of the amendments identified by audit affected the reported financial position or available reserves. Audit testing did, however, identify four non-trivial amendments, the most significant of which was the reclassification of £33m of impairments to present them in the correct section of the accounts.

- 35** Audit also identified unexplained differences between cash balances in the accounts and the year end bank statement for 69 cash and imprest balances totalling £303k. Further work was undertaken by finance staff during the audit which resulted in the reduction of the unreconciled balance to £10k by the end of the audit.
- 36** There remains scope to improve the timeliness and quality of fixed asset working papers, which are currently populated by finance staff as part of the annual closedown process. Audit identified several classification errors in fixed asset balances on review of these working papers, although most were presentational and none were material. We note that management are already considering ways to improve and better automate the process by which fixed asset working papers are prepared in future years.
- 37** We have prepared an opinion audit report summarising the strengths and areas for improvement identified by audit work on the MPA/S's material financial systems and 2008/09 financial statements. It also makes recommendations on how the accounts preparation process could be further improved and looks forward to some of the changes to financial reporting expected as police authorities adopt the requirements of International Financial Reporting Standards (IFRS) in 2010/11. A number of these changes may require considerable work in order to properly restate balances in the accounts, putting early planning at a premium.

Recommendations

- R7** Provide members with an integrated performance report containing both headline financial and operational performance information.
- R8** Ensure financial reports to members reflect the range of options available, the operational benefits expected to result from the proposed investment, and the risks and costs associated with each.
- R9** Implement the recommendations in our 2008/09 opinion audit report to help deliver further improvements in the accounts preparation process.

Governing the business

38 This theme assesses how well the MPA/S governs itself and commissions services that provide value for money and deliver better outcomes for local people. It is made up of the following key lines of enquiry, which are considered further below:

- Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?
- Does the organisation produce relevant and reliable data and information to support decision making and manage performance?
- Does the organisation promote and demonstrate the principles and values of good governance?
- Does the organisation manage its risks and maintain a sound system of internal control?

KLOE 2.1 - Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?

39 Our review of procurement was augmented by a specific risk-based audit of procurement arrangements. The findings from that work are summarised in the commentary below.

40 A procurement strategy is in place and is being embedded effectively. A number of examples of good, innovative practice are evident, including effective initiatives with partners, in particular across the GLA group, to identify opportunities to achieve efficiencies and to promote responsible, sustainable procurement through joint procurement exercises. The force has evaluated the range of options available when determining how to proceed with a procurement exercise. It makes use of the Bluelight database that provides access to a range of framework contracts and facilitates consortia purchasing arrangements.

41 The MPS Procurement team is working with managers across the business to ensure a strategic approach to procurement is developed. In particular, work to understand the supply market and engage with suppliers is well-developed and is delivering efficiencies through a more strategic understanding of the significant categories of goods and services routinely purchased by the MPS.

42 Some clear outcomes are evident, including the Procurement Opportunity Spend Profiling Analysis (PROSPA) project reviewed areas of spend and identified savings opportunities. The MPS reported in July 2008 that it had achieved its saving target for PROSPA of £35m. The MPS is exploring options to buy its vehicle fuel from sustainable sources and actions have been taken to help support small and medium-sized firms, including a 10-day invoice payment arrangement as well as the work to create a simpler pre-qualification questionnaire to help smaller organisations engage and win work.

- 43** Whilst these actions are positive, improving compliance with procurement regulations and MPA Standing Orders remains a key area for improvement if the MPA/S is to demonstrate it systematically achieves good value for money through its procurement. The effective control of contract extensions and roll-overs has been a particular area of weakness. Management has acknowledged this and has invested significantly in improving procurement practices as part of the Developing Resource Management programme. Steps taken by management during 2008/09 include the implementation of a contracts database designed to facilitate effective, timely monitoring of contracting activity, work to raise awareness of the importance of compliance across the business and the monitoring of new and renewal contracting activity.
- 44** This has had a significant impact in driving up compliance, but the MPA/S has started from a low base in this respect. By May 2009, improvements had been made such that 71 per cent of purchases made by the MPS (by value) had been contracted or ordered via a compliant route, and officers report this has improved to 80 per cent (by value) by September 2009.

Recommendations	
R10	Ensure appropriate arrangements are in place to improve compliance with basic procurement controls, in particular in respect of contract extensions or roll-overs.
R11	Monitor procurement and contracting activity to ensure that improvements in compliance levels continue to be made.

KLOE 2.2 - Does the organisation produce relevant and reliable data and information to support decision making and manage performance?

- 45** The MPA/S produces relevant and reliable data and information to support decision-making and manage performance. A risk-based approach to ensuring data quality has been introduced, recognising the public confidence issues around crime statistics and operational data. Quantifiable efficiencies of 15 minutes per user per day are being delivered through more efficient use of technology, including the 'Reducing Re-keying' Programme and integration portal to allow data to be copied between applications in line with 'collect once use numerous times' (COUNT) principles. This not only amounts to a significant opportunity cost saving across the breadth of the service but also serves to reduce staff frustration caused by multiple data entries.
- 46** The MPA/MPS have good arrangements in place to manage performance against priorities, including business and financial information. Joint meetings of the Finance Committee and SOP are held twice yearly which are supported by smaller sub group meetings of members and officers. All MPA priorities have supporting financial and resource plans. Progress has been made in implementing recommendations made in the MPA Crime Data Scrutiny Report (February 2008). However, whilst arrangements are generally good in this area, the outcomes being achieved are more variable. In particular, crime data quality remains at minimum standards only in a number of areas, as evidenced by MPS internal quality control processes and the recent HMIC thematic inspection findings in the review of most serious violence data quality, published in October 2009.

Recommendations

- R12** Raise awareness of the importance of data quality to the delivery of corporate priorities.
- R13** Build capacity and knowledge of data quality requirements and practices across operational command units.
- R14** MPA members should review the Crime Data Recording Scrutiny Report to monitor and challenge progress in implementing recommendations and assess the impact and outcomes achieved to date.

KLOE 2.3 - Does the organisation promote and demonstrate the principles and values of good governance?

- 47** The Policing London Business Plan sets out the MPA/S's visions and priorities and is informed by public consultation exercises such as the 'Have your Say' survey of Londoners. Corporate priorities have been developed during the year through initiatives such as the MPA's Metforward mission statement and the MPS's 5 Ps, both of which have received considerable exposure and are generally well understood by staff. It is, however, crucial that work to fully integrate the two is developed in order to ensure that priorities and aspirations are mutually understood and agreed upon.
- 48** MPA committee meetings are generally well-attended with a good level of participation from MPA members and little unproductive tension. Members are generally well-informed of the issues for discussion and written reports are in most instances provided in advance of the meeting and are written in a style that facilitates ease of use.
- 49** Standing orders are reviewed regularly, are subject to scrutiny by members, and a new scheme of delegation was developed in the second half of the year and is currently being rolled out. Joint Engagement Meetings (JEMs) are being held across the London boroughs, involving MPA members and representation from borough command units, local authorities and other local partners. These are starting to have a positive impact, ensuring that partners have a shared understanding of local priorities and opportunities to jointly invest in and deliver services tailored to these priorities.
- 50** A partnerships database and toolkit has been developed and is being used across the business designed to enhance the MPA/S's governance arrangements with significant partners. This has included a mapping exercise which has allowed the MPS to identify 323 different partnerships in which it is involved, their geographical spread, and the nature of the work being undertaken. This is good practice but remained at an early stage of implementation during 2008/09. Further work is required to demonstrate the outcomes the MPA/S is achieving through these arrangements.

- 51** There is joint working between the MPA/S to raise awareness of the importance of high ethical standards. This has been effectively reinforced by the roll-out of the MPS's 5 Ps and positive messages on the need for high levels of conduct from senior management and the MPS Commissioner. However, there remains work to do to demonstrate that these arrangements are making a difference and driving up standards of conduct across the business. Compliance remains an issue in some areas of the business. There is limited evidence that registers of hospitality and interest are robustly reviewed or scrutinised by management or members, indicating these arrangements are not yet well embedded in business processes.

Recommendations

R15 Jointly set targets and monitor the delivery of outcomes from Joint Engagement Meetings to demonstrate how these arrangements are contributing to corporate priorities and helping to deliver value for money.

R16 Monitor the outcomes achieved from the governance of significant partnerships to demonstrate how these have helped to improve service outcomes and value for money.

R17 Continue to raise awareness of the importance of complying with ethical values amongst staff.

R18 Regularly review complaints levels and declarations of hospitality and interest to demonstrate the extent to which high standards of conduct are being adhered to by officers and staff.

KLOE 2.4 - Does the organisation manage its risks and maintain a sound system of internal control?

- 52** Our review of risk management was augmented by a specific risk-based audit of procurement arrangements. The findings from that work are summarised in the commentary below.
- 53** The MPA/S is starting to develop a shared understanding of risk management, with the first joint statement on risk management reported to MPA Corporate Governance Committee in December 2008 with an associated implementation plan. The corporate risk register remained weak in 2008/09, containing limited information on specific risks and how these had been identified, the control mechanisms in place to manage them, or the level of assurance provided by such control mechanisms. Risks were not linked to corporate priorities or supporting strategies and plans, making it unclear how risks to the delivery of specific strategies and plans are being assessed and managed. A number of risks in the corporate register in place at the end of 2008/09 had not been assigned owners.

Governing the business

- 54** MPA members received quarterly progress reports on the MPA/S's developing governance framework but received very limited information on risk. The corporate risk register was not reported to members during the year, although members received some information on the MPA/S's significant governance issues through quarterly updates on the Annual Governance Statement to the MPA Corporate Governance Committee. It is however difficult to assess how members and senior management maintain effective oversight of corporate risks, the assurance provided by the mechanisms in place to control them, the resources that should be deployed to manage risks, and the extent to which risks identified elsewhere in the business require a corporate response.
- 55** Considerable management attention is being focused on this area, with work designed to strengthen corporate risk management processes being delivered by the Strategy and Improvement Department's team. This has started to lead to improvements in arrangements, including training risk management champions across the business, and the provision of advice and support to each of the MPS's business groups to enable them to develop risk registers as part of 2009/10 business planning. Management anticipates this should make the corporate risk register an increasingly useful management tool as these lower level arrangements are embedded. A corporate risk register is due to be reported to MPA Corporate Governance Committee in December 2009.
- 56** MPA Internal Audit is effective and provides a robust assessment of the internal control environment. The MPA Corporate Governance Committee provides effective scrutiny of internal control issues. It has an experienced chair and two co-opted members who bring specialist knowledge of risk management and audit to committee discussions. Our 2008/09 triennial review found MPA Internal Audit to be well-resourced, with an in-depth knowledge of the organisation and its key risks.
- 57** The MPS's corporate arrangements for overseeing internal control are improving. The MPS has a dedicated team in place with a brief to identify areas requiring a corporate response and provide support to areas of the business in securing improvements. We were able to rely on controls in the MPA/S's material financial systems in 2008/09 for the first time to reduce the audit testing we performed on the financial statements themselves. Counter-fraud arrangements are well invested in and are effective.
- 58** However, there remain a number of key areas where improvements are required. Internal Audit reported that the control environment in the MPS continued to fall below minimum standards in 2008/09. Particular weaknesses continued to be noted in the control of expenditure and assets at command unit level, although follow-up reviews of command units by Internal Audit during the year showed a slow but steady improvement. A sustained, systematic approach to improving control arrangements is required if the MPA/S is to improve internal control arrangements across the breadth of the service.

Recommendations

R19 Continue to integrate risk management in business planning arrangements and retain evidence to demonstrate how an understanding of corporate risk has informed strategic decision-making.

R20 Provide MPA members with regular updates on risk management, including key aspects of the corporate risk register to allow members to effectively scrutinise management's response to key business risks.

R21 Secure improvements in the operation of financial controls at operational command unit level.

R22 MPA members and management should monitor the implementation of audit recommendations to ensure that desired improvements in internal control arrangements are achieved.

Managing resources

- 59** This theme assesses how well the MPA/S manages its natural resources, physical assets and people to meet current and future needs and deliver value for money. The Audit Commission directed that these key lines of enquiry should be assessed on a cyclical basis once every three years. In 2008/9, police authorities were assessed on their workforce planning arrangements, with natural resources due to be assessed in 2009/10 and asset management in 2010/11.
- 60** This is the first time we have assessed the MPA/S's workforce arrangements. We found good arrangements to be in place, leading to clear outcomes and assessed the MPA/S to be performing well in this area overall. Our findings are set out in more detail below.

KLOE 3.3 - Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?

- 61** The MPA/S has achieved substantial improvements in workforce productivity and efficiencies through large-scale business process improvements, such as C3i, a large project which has modernised communications, re-skilling and re-deploying over a thousand staff and releasing more officers to front-line duties and saving over £5m annually. Further productivity gains have been achieved by more effective control of police overtime (outturn position against budget improved by £11m compared with 2007/08), and significant savings are planned through the Transforming HR programme, which it is projected will deliver savings of £3m in 2009/10 and recurrent savings of £15m per annum from 2011/12.
- 62** The MPA/S manages skills gaps through a variety of routes, including a Leadership Academy and a range of courses, including those tailored to officers from minority backgrounds. Investment in talent management is in place and promotes the MPS as an employer of choice. The MPA/S invests in the health and safety of its workforce, with notably low levels of sickness absence (2nd lowest in MSF Group and lowest ever for MPA/S) utilising techniques regarded as notable practice and exported to other forces, and a 24 per cent reduction in accidents over 2007 to 2009.
- 63** Workforce planning is well-integrated with business planning and is carried out over a three-year time horizon, which ensures that growth and savings flow from workforce deployment and staff requirements are aligned to corporate priorities. There have been successful joint working initiatives with local authorities and Transport for London, with reductions of 14 per cent in crime and increases (6 to 12 per cent) in confidence and satisfaction in the pilot boroughs involved. Feedback from partners indicates that these schemes are regarded as good value for money.

- 64** The MPA/S manages the workforce implications of organisational change well. The two most significant change programmes of recent years exemplify this, with the successful implementation of C3i in 2008 (see above) involving modernised communication systems, call handling, improved officer deployment and knowledge and information bases in its range of outcomes, and regarded as the largest reorganisation of policing services in the UK. The MPS' Transforming HR programme also demonstrates the ability to deliver major corporate change projects. THR is designed to deliver a more business-focused HR service to key areas and in so doing achieve cash-releasing efficiency savings of £15m per annum. THR will be fully implemented by the end of 2009, with savings built into the MTFP to fund growth in front-line policing.
- 65** The MPA/S is recognised as an employer of choice. The MPS has been successful in recruiting strongly from ethnic minority backgrounds and is regarded as a national leader in this area. BME officers account for 1 in 5 new recruits compared with 1 in 18 ten years ago. It is in Stonewall's Top 50 Workplace equality index and was recognised by the Pink Paper as the best police force in the country for lesbian, gay, bisexual and transgender (LGBT) officers. The MPS has developed promotion campaigns targeted at minority groups, including people with learning difficulties and runs pre-employment courses with local colleges to attract minority candidates. Staff satisfaction levels are high. The most recent MPS Staff survey elicited a 69 per cent positive response on 'being treated with fairness and respect' compared with 56 per cent average for the public sector.

Recommendation

R23 Monitor and report to MPA members the benefits realised from the Transforming HR programme to confirm planned levels of efficiencies and improvements in business processes are delivered.

Use of resources 2009/10

- 66** The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. Our work will include all KLOEs covered in 2008/09 with the exception of workforce planning which will be replaced by natural resources. We will further tailor our approach to review outcomes from developments since our 2008/09 assessment.
- 67** We supplement our work on directly the KLOEs by testing specific areas which represent significant risks for the MPA/S. In my letter of 22 April 2009 about the audit fee for 2009/10, I identified a number of significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Authority to mitigate the risk and plan my work accordingly.

Table 2 Initial risk assessment

Risk	Planned work	Timing of work
<p>Asset management</p> <p>The MPA/S manages a fixed asset base valued at around £1.9 billion. Sound asset management is a key aspect of a body's arrangements to achieve economy, efficiency and effectiveness. 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 with management</p>

Risk	Planned work	Timing of work
<p>Planning for the Olympics</p> <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"> • managing finances; • governing the business; and • managing resources. 	<p>A scope is currently being developed for discussion with management</p>

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PURE 2008/09						
9	R1 Review the level of reserves regularly to ensure that reserves held remain appropriate and that the opportunity cost of holding them is considered.	Low	MPA Treasurer (with MPS Finance input)	Yes	MPA/MPS already reviews the level of revenue reserves as part of the annual budgetary process and the monthly budget monitoring process. In terms of assessing the opportunity costs of holding reserves, a decision is made by the MPA as to the level of reserves that the MPS holds as well as approving any changes to the level of reserves that are held during the year. That decision will be made after careful consideration of the impact of delaying revenue expenditure to fund the creation of the reserve. The draw-down of the reserve will be monitored closely in the future to ensure that the funds are used in the agreed way.	Ongoing. Implementation of review mechanism described.
9	R2 Provide regular financial training to MPA members.	Medium	MPA Treasurer	Yes	Members of Corporate Governance Committee are due to receive training on IFRS later this year. In addition a programme of regular financial training will be drawn up by the new Treasurer once he starts work for the Authority in January 2010.	31 March 2010

Page no.	Recommendation	Priority Low Medium High	Responsibility	Agreed	Comments	Date
9	<p>R3 The Authority should ensure it maintains effective control of the treasury management function and monitors compliance with the Treasury Management Strategy.</p> <p>The MPS may find it useful to supplement this with a programme of its own spot checks on treasury management decisions to ensure they comply with policy.</p>	Medium	MPA Treasurer (with MPS Finance input)	Yes	<p>Already implemented to ensure continued compliance with Treasury Management (TM) Strategy. The Treasury Management function has been reviewed by both the Audit Commission and KPMG and an action plan is reported to Corporate Governance Committee. Treasury Management activity including investment decisions are reported quarterly to the Resources Sub Committee. Roles and responsibilities are fully set out and a schedule of regular review meetings established with the MPA Treasurer and MPS senior management. The review meetings are fully supported by a comprehensive monthly management report to review and monitor treasury decisions. In addition to these controls there is a daily update to the Treasurer on treasury activity undertaken that day. Finally the MPA Directorate of Audit, Risk and Assurance continue to review this area and the treasury manager will regularly review investment transactions in addition to scrutinising the detail within the monthly management report.</p>	Already implemented

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10	R4 Make more extensive use of cost benchmarking across key services and areas of functional spend to identify areas of high cost, assess the key cost drivers, and determine the extent to which efficiencies can be achieved in these areas. The MPS may find it helpful to use HMIC's recent VFM profile tool to inform this work.	High	MPS Director of Financial Services	Yes	The MPS already undertake a number of benchmarking activities across the Service. However it must be recognised that once the MPS identifies high cost the focus must be on reducing costs rather than endless analysis. More use of benchmarking is reflected in the new Performance Management Framework (PMF) which is currently being developed as part of the Productivity Agenda. The PMF which captures cost and operational information on a functional basis will be aligned to the emerging national benchmarking (POA) base data. In conjunction with other benchmarking tools such as the HMIC data, this will enable a greater understanding of the underlying cost drivers contributing to a headline performance figure and aid performance development and identification of efficiencies. It should be noted that the HMIC has yet to publish the VFM for the MPS.	May 2010
10	R5 Review the costs associated with the National and International Capital City function to ensure costs incurred are in line with priorities and risks, and that appropriate value for money is being achieved and appropriate costs re-claimed.	Medium	MPS Director of Financial Services	Yes	Review of costs implemented this year and costs reported to Management Board and HMIC. Annual review process proposed.	June 2010

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10	R6 Follow up costing exercises to demonstrate how costing information has been used to facilitate option appraisal, inform strategic decision-making and, where appropriate, identify efficiency savings.	Medium	MPS Director of Financial Services	Yes	Lead Accountants and Business Managers currently review the application of costing and ready-reckoner type information as part of their professional advisory role to Business Groups. Both Business Leads and an Assessment Panel Member for Finance also scrutinise quality of business cases to ensure costing information has been properly applied. In future the MPS is to retain more evidence to fully demonstrate this process to the Audit Commission.	September 2010
12	R7 Provide members with an integrated performance report containing both headline financial and operational performance information.	Medium	MPS Director of Financial Services MPS Director of S&ID	Yes	The developing performance management framework (PMF) is focus on making more effective links between finance and performance. Please see response to R4. Members to receive reports once PMF is developed. The MPA need to consider which committee(s) receive the report, however consideration is currently being given as to whether joint SoP and F&R meetings should be held to consider the report.	May 2010
12	R8 Ensure financial reports to members reflect the range of options available, the operational benefits expected to result from the proposed investment, and the risks and costs associated with each.	Medium	MPS Director of Financial Services MPS Director of S&ID	Yes	Financial implications are included in all reports to members including range of options available where appropriate.	Ongoing

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12	R9 Implement the recommendations in our 2008/09 opinion audit report to help deliver further improvements in the accounts preparation process.	Medium	MPS Director of Financial Services	Yes	Recommendations to be implemented. The MPS is currently implementing a new IT systems development to allow the impairment of assets including the decrease/increase in market values to be accounted for in SAP Financials. The respective impairment and revaluation history of each asset is currently accounted for manually on spreadsheets. This development will improve the future accounting treatment of fixed assets.	March 2010
14	R10 Ensure appropriate arrangements are in place to improve compliance with basic procurement controls, in particular in respect of contract extensions or roll-overs.	High	MPS Director of Procurement Services	Yes	The MPS has recently conducted a comprehensive review of all contracts and has reported findings of non-compliance to the MPA. Internal Audit is reviewing the process undertaken with a view to providing Members with a system assurance on the robustness of the review and MPS processes. Work has already commenced on the implementation plan and the majority of non-compliant contracts will be resolved in 2010.	End of 2010
14	R11 Monitor procurement and contracting activity to ensure that improvements in compliance levels continue to be made.	Medium	MPS Director of Procurement Services	Yes	Purchase compliance continues to increase across the MPS. Overall the MPS is achieving its stretch target of 80 per cent, with several Business Groups now achieving over 90 per cent, as reported in monthly compliance reports. As a result of efforts in 2009/10 to implement systems controls to ensure purchase orders reference a contract, spend referencing a contract has increased by over 7 per cent in the last quarter. A contracts compliance report is currently being developed, which will enable the business to monitor contract usage and compliance. It is projected that this report will be complete and available by the first quarter of 2010.	First quarter 2010

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15	R12 Raise awareness of the importance of data quality to the delivery of corporate priorities.	Medium	T/Assistant Commissioner Territorial Policing MPS Director of Information	Yes	<p>The MPS already has a number of important measures in place.</p> <ul style="list-style-type: none"> Improving the quality and management of our information is specifically referenced in the MPS Policing Plan, under the Continuous Improvement objective. There is a Corporate Health Indicator linked to continuous improvement target around data quality. Each Borough has a Data Quality Liaison Officer and an SMT Lead who receive monthly reports on Data Quality from the DoI Data Quality System. These reports are also seen at cluster level by information systems custodians. Local unit managers – eg Crime Managers, receive daily exception reports detailing data items that appear to have been incorrectly entered the previous day. <p>Further opportunities to improve our communications will also be explored. We will therefore:</p> <ul style="list-style-type: none"> raise the profile of the Data Quality Corporate Health indicator by discussing it regularly at Performance Board (there is already activity on this as the quarterly CHIs report to November Performance Board is to focus on four CHIs, one of which is Data Quality - this is to be subject to 'deep dive' analysis). DoI and TP will also encourage compliance at OCU level by writing to failing boroughs; the DQ report will form part of the regular performance debate on Boroughs, dependent on the level of risk identified; and DoI will, with TP support, ensure every Borough has an active SMT lead and Data Quality Liaison Officer DQLOs. 	<p>Complete</p> <p>Complete</p> <p>Complete</p> <p>End January 2010</p> <p>End January 2010</p>

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15	R13 Build capacity and knowledge of data quality requirements and practices across operational command units.	Medium	T/Assistant Commissioner Territorial Policing MPS Director of Information	Yes	<p>The DoI Data Quality Team are already in this space.</p> <ul style="list-style-type: none"> The DoI Data Quality Programme is based on thorough analysis of data requirements across the organisation. The Data Quality Team has compiled and maintains a Data Valuation Matrix for each of our main operational systems. These document for each operational unit in a Borough and for a range of Pan-MPS business functions, which systems and which data entities within those systems are most valuable to their work. This provides a weighted priority list of the most important data items in the MPS. The Data Quality Team have also produced Sustainability Reports for key systems, including Entity Attribute Reports for key data entities which describe the current quality of the entity, the quality issues typically to be found and outline measures that can be taken to improve them. The Data Quality Team maintains a network of local data quality practitioners, through regular communication, a programme of Borough visits and through periodic events. <p>A review of the DoI Data Quality Team's business change activities beyond Boroughs will be undertaken and a business case developed to plug any gaps. This would need to go to Governance Board for consideration.</p>	<p>Complete</p> <p>Complete</p> <p>Complete</p> <p>February 2010</p>

Page no.	Recommendation	Priority Low Medium High	Responsibility	Agreed	Comments	Date
15	R14 MPA members should review the Crime Data Recording Scrutiny Report to monitor and challenge progress in implementing recommendations and assess the impact and outcomes achieved to date.	Medium	MPA and the Strategic Crime and Incident Recording Group (SCIRG)	Yes	<p>The Strategic Crime and Incident Recording Group (SCIRG) was set up under Paul Minton in part to oversee the implementation of these recommendations.</p> <p>The Group is now under the joint chairmanship of Tony Eastaugh and Richard Clarke. It will report to the MPA on overall progress against the recommendations.</p> <p>The MPS report to SOP committee on progress with the Crime Data Accuracy Scrutiny recommendations on a six monthly basis.</p>	End January 2010
16	R15 Jointly set targets and monitor the delivery of outcomes from Joint Engagement Meetings to demonstrate how these arrangements are contributing to corporate priorities and helping to deliver value for money.	Medium	MPA Deputy Chief Executive	Yes	<p>Although JEMs is still in its first round of meetings it has recently been short listed for an APA award. To date, JEMs have taken place with 20 boroughs and a further 11 are scheduled before the end of January 2010. In the main, discussions have been open and frank, with partners fully engaging in the problem solving process, offering ideas and taking on actions.</p> <p>Targets are not set internally but action plans are produced following each JEM with actions, ranging from those to tackle local issues to those requiring a strategic pan-London response, allocated to the appropriate partners. Regular updates are requested and action plans are to be raised formally at CDRP meetings by MPA link borough members with support from MPA officers. JEMs are also joined up with the MPS performance framework, with outstanding actions being raised in appropriate performance meetings.</p>	2010

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16	R16 Monitor the outcomes achieved from the governance of significant partnerships to demonstrate how these have helped to improve service outcomes and value for money.	Medium	MPS Director of S&ID	Yes	<p>The MPS has a database which includes all partnerships with a financial implication. Over 2009/10 and going forwards, as part of Partnerships business as usual activity, the following work will enable the measurement and monitoring of outcomes and value for money.</p> <ul style="list-style-type: none"> • Development of an integrated approach to the partnership contribution to the confidence target. • Ensuring the LAA process is fully integrated with the MPS business planning approach. • Defining key performance drivers. • Developing performance baseline. • Developing an approach for assessing partnership value for money. • Agreeing a performance management and improvement approach and implementing this. 	<p>March 2010</p> <p>October 2010</p> <p>June 2010 October 2010 December 2010</p> <p>December 2010</p>

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16	R18 Regularly review complaints levels and declarations of hospitality and interest to demonstrate the extent to which high standards of conduct are being adhered to by officers and staff.	Medium	MPS Director of HR	Yes	<p>The Gifts and Hospitality Standard Operating Procedure (SOP) is owned by HR. The revised SOP was agreed by the MPA Corporate Governance Committee on 14 September 2009. Each Business Group has a mechanism in place to regularly monitor and sign off as compliant the respective registers held in that domain.</p> <p>A review of the Gift and Hospitality Registers of Management Board members was carried out in April 2009. The follow-up audit carried out by the MPA Directorate of Audit, Risk and Assurance in November 2009 noted that controls over the security, retention and publication of a model gifts and hospitality register have improved, as had the control framework over gifts and hospitality. MPA members have requested that this information be made publicly available via the MPA's website.</p>	Ongoing - actions in place
			MPS Director of Professional Standards	Yes	<p>Revised performance analysis has led to information regarding complaints levels being more accessible. Information is updated monthly and published on the DPS Intranet site. A revised communication and meetings structure ensures that performance with regards to complaints is discussed at a strategic level, through the Professional Standards Strategic Committee and also at a practitioner's level, at regular meetings between DPS Borough Support Units and the SPOCs on the OCUs they are aligned to. A quarterly Professional Standards Performance Indicators Report is presented to the MPA.</p>	Ongoing

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18	R19 Continue to integrate risk management in business planning arrangements and retain evidence to demonstrate how an understanding of corporate risk has informed strategic decision-making.	High	MPS Director of S&ID	Yes	<p>There is considerable work underway to integrate and embed risk into the business planning process. The Risk Managers Together group is a regular gathering of the MB nominated business group risk practitioners, these individuals are on the whole the same staff who work on business planning in their respective BGs. They provide the working level link with the Corporate Risk Manager to the BG SMTs and are the group who QA the overall risk management strategy for the MPS. This includes the work on the risk maturity model being piloted in the new year in one of the operational BGs.</p> <p>The risks in the corporate risk register are linked to corporate objectives and Business Groups in the course of their planning cycle, assess the risks associated with their plans and update their Business Group risk registers accordingly.</p> <p>On a strategic level the SIB (Governance Board from January 2010) reviews the corporate risk register before it goes to MB to inform strategic decision making. The SIB is minuted which evidences decision making at this level.</p>	End 2010
18	R20 Provide MPA members with regular updates on risk management, including key aspects of the corporate risk register to allow members to effectively scrutinise management's response to key business risks.	High	MPS Director of S&ID	Yes	<p>This quarter, December 2009, the MPA Corporate Governance Committee will discuss the key MPS risks in the corporate risk register and the MPS corporate risk heat map. These are exempt items. This facilitates scrutiny by the relevant MPA committee of the MB and SIB (Governance Board) response to key business risks, as the corporate register outlines the risk areas, causes, impacts and a comprehensive sets of mitigating controls.</p>	End 2010

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18	R21 Secure improvements in the operation of financial controls at operational command unit level.	High	MPS Director of Financial Services	Yes	Implemented - As part of the Developing Resource Management programme, the MPS has implemented a series of initiatives to improve governance of resources and compliance at the operational control unit level. These include a new Scheme of Delegation, Purchase to Pay compliance, Contract compliance and management and Finance and Resources modernisation leading to greater professionalism of Finance and Resource support within the Business Groups. Other initiatives include the Non Compliance Framework and electronic cashbooks to improve control over expenditure. New work streams are being developed as part of the Second Phase of DRM which will further improve financial controls and compliance. Internal Audit's programme of BCU audits in the final quarter of 2009/10 and beyond will assess the extent to which these arrangements are delivering the desired improvements.	Implemented 2011/12
18	R22 MPA members and management should monitor the implementation of audit recommendations to ensure that desired improvements in internal control arrangements are achieved.	Medium	MPS Director of Financial Services	Yes	Quality Assurance Team (QAT) established in Finance Services to monitor all recommendations and ensure properly implemented. The QAT team works closely with the Director of Audit Risk and Assurance and other audit and inspection services and also provides assistance to MPS Business Groups to best implement recommendations. A quarterly update on progress made against high risk recommendations is provided to the MPS Performance Board and MPA Corporate Governance Committee.	Implemented. Quarterly monitoring in place.

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20	R23 Monitor and report to MPA members the benefits realised from the Transforming HR programme to confirm planned levels of efficiencies and improvements in business processes are delivered.	Medium	MPS Director of HR	Yes	<p>Sound governance arrangements are in place regarding the THR Programme.</p> <p>A draft Benefits Realisation Plan has been prepared covering identification, dependencies and where appropriate, measurement and tracking of all the benefits to be delivered by the THR Programme. To date, in addition to the main financial benefit resulting from the new PeopleServices organisation, over 60 non-financial benefits have been identified. A report of progress on all key benefits will go to the HR Strategy Board on a monthly basis to ensure remedial action can be taken if targets are not met.</p> <p>Financial updates are provided at the monthly THR Strategy Board. The MPA is represented on this committee. Director of HR reported to the MPA last month on progress being made, and a further report is due for presentation this month. Savings and benefits delivered to date have been included within the updates.</p> <p>The overall financial position regarding THR savings is factored into the MPS MTFP. There is a structured and formal scrutiny process with the MPA. Director of HR and HR Business Manager attended a face-to-face scrutiny session in mid October. A number of MPA members were present. THR formed part of this process.</p>	<p>Actions in place.</p> <p>Monthly updates in the run-up to go-live will continue to be provided. The scheme will go fully live in Spring 2010. Long-term benefits of the scheme will be reported in April 2011.</p>

The Audit Commission

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