

## audit 2001/2002

# Audit Plan Metropolitan Police Authority

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**DISTRICT AUDIT**

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1.

## Introduction

This plan summarises the planned audit for financial year 2001/2002. Our principal objective as your appointed auditors is to carry out an audit that meets the Audit Commission's Code of Audit Practice.

2.

## Our responsibilities

To ensure our audit is relevant to the MPA and the MPS, one of the prime requirements of the Code is that we design a programme of work to address the significant operational and financial risks you face that impact on our responsibilities.

Our plan is, wherever possible, designed to take account of the plans of other review agencies such as the HMIC, your own Internal Audit team and the efficiency review programme.

We thus have to review whether you have adequate arrangements for the following:

### Financial aspects of corporate governance

- securing the legality of transactions with a significant financial consequence
- ensuring your financial standing is soundly based
- satisfying yourselves that your systems of internal financial control are both adequate and effective
- ensuring proper standards of financial conduct and to prevent and detect fraud and corruption.

### Performance management

- securing economy, efficiency and effectiveness in the use of resources

- complied with the statutory requirements in respect of your Best Value Performance Plan.

## Accounts

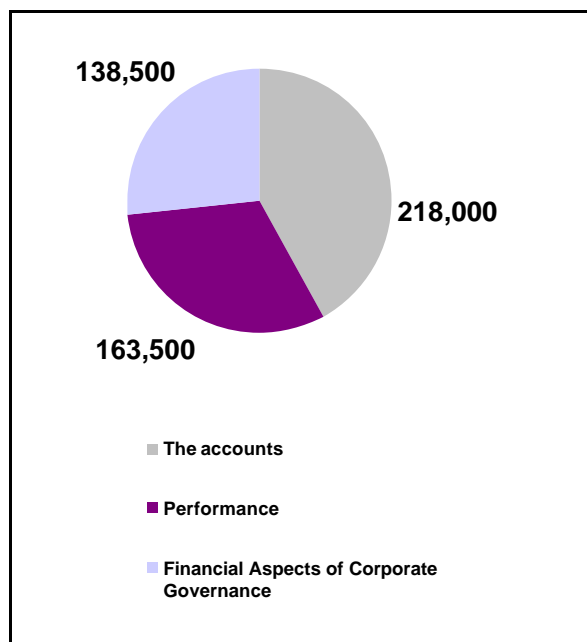
We must also give an opinion that your Statement of Accounts present fairly the financial position of the Authority.

3.

## The fee

Your audit fee has been determined on the basis of the audit risks we have identified (as set out on pages 3 to 5) and the work we have agreed with you to address those risks.

The total fee for the Code of Practice audit is £520,000. This level of fee assumes adequate working papers are provided to us and that the planned level of Internal Audit work takes place.



The Authority has gross relevant expenditure of £2.1billion. This year the Audit Commission has not set a fee scale applicable to the functional bodies of the GLA. Fees are to be set solely on the basis of negotiations between the auditor

and the audited body. Our assessment is that the MPA remains a very high risk audit.

In addition to this work, we will certify any grant claims where an audit certificate from an Audit Commission appointed auditor is required by the paying department. This falls outside the Code audit and the fee will be charged separately on a grade-related, hourly basis.

The fee for any non-Code work undertaken will be agreed with you once the work has been scoped, as will any additional fee work required as a result of weaknesses in your arrangements or working papers.

	work to allow us to discharge our respective responsibilities.
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## Accounts

We are required to give an opinion on your accounts.

We will do this by reviewing your core processes namely:

- the main accounting system
- budgetary control procedures
- final accounts closedown procedures.

We will then undertake detailed testing of the figures in the Statement of Accounts.

We will undertake the following work to identify specific risks we have identified.

Risk	Response
Non-compliance with: <ul style="list-style-type: none"> <li>• FRS15</li> <li>• BV Accounting Code</li> <li>• new accounting requirements</li> </ul> which may lead to a qualified audit opinion.	We will monitor and test, as appropriate, compliance with the accounting requirements which have caused problems in the past. We will also consider new issues such as FRS17.
The 2000/2001 audit opinion was qualified in two respects.	We will assess progress made in clearing the qualifications.
A significant number of covert transactions take place every year.	We will liaise with internal audit on a joint programme of

OUTPUTS

## Accounts

<b>Audit opinion</b> <i>Due: by 31 December 2002</i>
<b>Final accounts memorandum</b> <i>Due: December 2002</i>

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## Financial aspects of corporate governance

We will carry out a detailed review to determine whether you have adequate arrangements for:

- securing the legality of transactions with a significant financial consequence
- ensuring your financial standing is soundly based
- satisfying yourselves that your systems of internal financial control are both adequate and effective
- ensuring proper standards of financial conduct and preventing and detecting fraud and corruption.

In addition, we will undertake the following work to address the specific risks we have identified at the planning stage:

Risk	Response
Major weaknesses in the arrangements for	We will follow up progress on

internal financial control remain.	implementing last years' recommendations on internal financial control and internal audit.
The C3i project is a very large and complex arrangement.	We will assess the controls in place over the considerable investment being made in this area.
The overall financial health position remains precarious.	We will have to closely monitor progress on improving budgetary control and providing timely management information.
A significant transfer of funds relating to civil staff pensions is due to take place this year.	We will monitor the controls put in place to minimise the risks arising from this transfer.
The Authority's arrangements to ensure the legality and regularity of transactions are still developing in some areas.	We will review arrangements to assess compliance with legislative requirements and the new ethical framework.

## Performance management

We will review:

- whether you have adequate arrangements to secure economy efficiency and effectiveness in the use of your resources
- the Best Value Performance Plan (BVPP) to see whether you have complied with the statutory requirements in respect of its publication, including performance information.

The detailed approach to the audit of Best Value for 2001/2002, addressing the issues arising in the recent Local Government White Paper, will be set out in guidance from the Audit Commission and Home Office. In the interim, we have assumed that the fee level for our Best Value work will be similar to 2000/2001.

As in recent years, we will also review the cashable efficiency gains recorded in the Efficiency Plan on behalf of HMIC, to support its overall assessment. In addition, our work will focus on the other specific audit risks we have identified as outlined below.

### OUTPUTS

## Financial Aspects of Corporate Governance

### Core process and financial systems review

*Due: Spring 2002*

### Financial aspects of corporate governance (overall arrangements)

*Due: Spring 2002*

### Financial aspects of corporate governance (specific aspects)

*Due: to be agreed with officers*

Risk	Response
<b>IT management arrangements</b>	
Inadequate arrangements may be put in place, and both your own and the Government's targets are not met.	We will assess: <ul style="list-style-type: none"> <li>• the extent to which the e-strategy is linked with other strategies</li> <li>• the ability to achieve e-policing objectives in the light of the plans and resources in place.</li> </ul>
<b>Service and financial planning(part 2)</b>	
There is still a need for better integration of service and financial planning across the organisation.	Building on the work we undertook last year we will assess at a business unit level the extent to which integration is now occurring.

Risk	Response
<b>Procurement</b>	
Optimal procurement solutions may not be achieved thereby frustrating the achievement of best value.	We will assess the arrangements in place to support procurement initiatives across the MPA/MPS.
<b>Abstractions</b>	
Abstractions from front line duty reduce the ability to manage effectively the service being provided to the public.	We will assess the arrangements in place to manage abstractions from front line duty, including training, court appearances and sickness and the extent to which best practice identified at other authorities is used at the MPA/MPS.
<b>Internal inspection</b>	
The MPA/MPS may not obtain best value from the considerable investment being made in internal inspection work.	Our work will consider the way internal inspection activity is planned and targeted and the ways it supports service objectives.
<b>Use of consultants</b>	
Best value is not obtained from investment made in external consultancy work.	We will assess the arrangements in place for commissioning and managing such work, drawing on best practice from other public sector bodies.
<b>Appraisal</b>	
Performance management systems and frameworks do not deliver as intended.	We will briefly assess the adequacy of the new arrangements about to be put in place to appraise civilian and uniform staff.
<b>Methods of detecting crime</b>	
Resources are not used to best effect.	Using work developed at other audits we will undertake the first stage of an exercise designed to raise awareness of the costs of the different

Risk	Response
	approaches used. We will focus here on how information is used.
<b>Activity Based Costing</b>	
Sufficient progress is not made on this national project.	We will assess progress made to date and provide examples of good practice where possible.

In addition we will follow up implementation of recommendations from last years' work.

Outputs

## Performance Management

- BVPP report**  
*Due: to be confirmed*
- Efficiency Plan**  
*Due: Spring 2002 (letter to HMIC)*
- Other performance management reports**  
*Due: to be agreed with officers*

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## The audit team

The team remains stable in all key positions from the 2000/2001 audit:

Title	Name
District Auditor	Kash Pandya
KPMG Director	Kevin Murphy
Audit Manager	Jon Hayes
KPMG Manager	Richie Tandoc
Lead Specialist	Kerry Reid

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## Delivering your audit

In order to deliver your audit within the agreed fee, we have assumed that:

- staff will provide requested data, with clear supporting documentation, promptly
- staff will provide good quality working papers and records to support the Accounts
- responses to draft reports will be made in accordance with agreed protocols
- we will continue our effective working arrangements with Internal Audit.

Additionally, if we receive questions and objections that require significant audit work outside of the plan, this may require an extra bill. You will be advised of the estimated cost should the circumstances arise.

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## Our respective Code responsibilities

The Audit Commission's publication 'Statement of Responsibilities of Auditors and Audited Bodies' gives further information on our respective responsibilities under the Code of Audit Practice.

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## Reports to the Authority

We will provide reports, or other output as agreed, to the Authority for each of the risk areas as identified above and to the indicative timetable. In addition we will provide our annual audit letter and quarterly progress updates to the Audit Panel and key staff.

### Quarterly Progress Updates

*Due: quarterly*

### Annual Audit Letter

*Due: by 30 November 2002*

