

External Audit Annual Letter 2001/02

Management response and action plan

The audit letter does not contain formal recommendations but it makes a number of points to which the MPA/MPS need to respond and take appropriate action.

	<i>External auditor's comment</i>	<i>Management response</i>	<i>Action</i>
	Final accounts		
1	We have qualified our opinion on (the financial statements for 2001/02) because of reservations about the adequacy of the provisions set aside to meet third party and police pension liabilities and weaknesses in the arrangements for valuing fixed assets.	The inadequacy in relation to provisions reflects the need to develop the Authority's balance sheet following the move from the cash accounting regime under the Receiver to the local authority accruals accounting requirements on the MPA. The external auditor acknowledges the progress made in the Authority's first full year. The valuation issue has exposed a lack of rigour in the previous arrangements operated by the Property Services Department.	Utilise 2002/03 underspendings to increase provisions. Rigorously review the assessment of the liability for third party claims. Clarify with the external auditor the level of provision necessary to remove the qualification. Earmark any underspendings against relevant budgets in 2003/04 to enhance provisions. Appoint independent valuers and secure sufficient valuation information to provide an acceptable under-pinning to the accounts.
2	Outstanding debtor and creditor balances in the accounts relating to the affairs of the former Inner London Probation Service and the Inner London Magistrates Courts Service ... need to be promptly	These balances are legacies of the former Receiver's accounting arrangements for his various responsibilities.	The outstanding balances have been resolved with the successor bodies and the accounts reflect the agreed position. The actual settlement of balances will be concluded when the 2000/01 Audit has been completed and settlement of grant claims

	resolved with the successor bodies and their impact, if any, on reserves quantified.		cleared by the Home Office and Lord Chancellor's Department.
	Financial standing		
3	<p>Concerted efforts by all those involved with policing in London will be required if further progress is to be made in improving the MPA's financial health position.</p> <p>Members will also need to continue to ensure that proactive steps are being taken to move the culture of the organisation towards one which places greater emphasis on financial and budgetary management and control.</p>	<p>The need to maintain reserves and improve provisions has been stressed to the MPA, the GLA and the Mayor.</p> <p>Specific steps required to improve financial and budgetary management and control are set out in the Financial Management Strategic Programme.</p>	<p>Substantial progress towards strengthening the Balance Sheet is expected to be made in the 2002/03 accounts. This should be sufficient to enable a discussion to be held with the District Auditor about removing the qualifications on the accounts.</p> <p>The degree of internal support to budget holders within the MPS continues to improve with further strengthening of the Finance Service. There is routine reporting of budget control statements and forecasts to all Business Groups within the MPS, the MPS Management Board and the MPA Finance Committee. The majority of OCU Commanders have now attended Financial Awareness Training courses and a Scheme of Devolved Financial Management has been published.</p>
	Systems of internal control		
4	We have agreed action against ... recommendations with Internal Audit and will continue to work closely with them to ensure you receive a cohesive internal and		The Audit Panel will receive a report on progress against the agreed actions.

	external audit service		
5	Our principal concern is still the relative lack of high level controls, such as detailed budget reports and system reconciliation's, on which management can rely to gain assurance on the effective operation of the key financial systems.... The effective management of the move to a more devolved structure will be key to further improvements in this area.		Discussion has taken place with External Audit to clarify the nature of the high level controls referred to. The principal elements eg budgetary control statements, bank reconciliations, aged debtor analyses etc are in place. Further emphasis needs to be given to the mechanisms for reviewing those controls. There has been an improvement in the monitoring of Balance Sheet account reconciliations in 2002/03. Consideration will be given to enhancing other controls and in particular those relating to devolved budgets.
6	This year's work has also highlighted the need to strengthen the client management controls operated over the externalised payroll and pension provider.... MPS staff are currently considering our recommendations for improvements to existing arrangements.		The Financial Systems Report for 2001/02 made a number of specific recommendations for improving controls in the Contract Management Unit for Pay and Pensions. These have either been implemented or are currently being addressed.
	Legality of financial transactions		
7	It is important that the Monitoring Officer has access to independent advice in carrying out the statutory functions implicit in the role. This should be firmly established	Agreed	A legally qualified Deputy Clerk has been appointed and will take up his post on 1 May 2003. The Deputy Clerk will be responsible for reviewing arrangements with external solicitors.

	through a formal arrangement with external solicitors or by appointment of a legally qualified deputy.		
	Race Relations (Amendments) Act 2000		
8	The Authority needs to continue its efforts to publicise its role in monitoring and mainstreaming this important initiative.	Agreed	This will be taken forward through the Equal Opportunities and Diversity Board.
	Standards of financial conduct etc		
9	The MPA has still to finalise an anti-fraud and corruption policy.		The anti-fraud and corruption policy was agreed by the Audit Panel in December 2002 and formally adopted by the Authority in January 2003.
10	The MPA needs to satisfy itself that Members are aware of what they have agreed to, in terms of disclosures, in signing the Code of Conduct.	In May 2002 all members of the MPA signed an undertaking to abide by the Code and completed a declaration of their registerable interests. At that time they were provided with a copy of the Code, guidance on declaring registerable interests and copies of a form for declaring gifts and hospitality. Since then further guidance produced by the Standards Board for England has been circulated to members.	Every six months the Authority will ask all members to confirm whether or not their registerable interests have changed and at that time they will be reminded of their obligations in terms of gifts and hospitality. The first such updating is being completed. The Standards Committee is responsible for satisfying itself that members are being given adequate advice or training on their obligations and this will be a regular feature of its work. This will also be an essential feature of the next member induction process in 2004.

11all prisoner property stores should undertake a 'spot check' from time to time to verify the continuing existence of the property being held.		Management response to be incorporated under specific response to separate audit report..
	Best Value Performance Plan		
12achieving a consistently open approach (about issues requiring attention) is one of the key challenges the organisation faces in moving to a culture that genuinely seeks continuous improvement...in all that it does.	This s recognised and supported by the MPA. The issue is, as noted by the auditor, primarily cultural and therefore requires careful consideration by members and the MPS management board.	A move towards the approach advocated will be assisted by forthcoming changes to the inspection regime conducted by HMIC to include a greater degree of self-assessment.
	Performance information		
13	The MPA/MPS now need to strengthen coordination and quality assurance processes to further improve the quality of BVPIs and supporting documentation submitted for future audits.	In the 2002/03 BVPP progress was made such that there were no statutory recommendations made in the audit with regard to BVPIs.	Progress has continued in2003/04 and the MPS will continue to try and ensure all BVPIs are monitored using quality data systems. In some cases this is difficult, for example for repeat domestic violence where a counting system is used which relies on flags put on the crime system. Substantial changes or investment in monitoring systems are not currently being undertaken pending clarification of the requirements of the Police Performance Assessment Framework.
	Use of resources		
14	Various recommendations relating to specific reviews.		Management response to be determined separately for each review.