

Audit Commission 2002-2004

Audit Plan Metropolitan Police Authority

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Reference:	MPA PLAN 2002-2004 – Draft Version
Date:	February 2002

Introduction

As explained in the Commission's fees letter, we are changing our audit year to match your April to March financial year, so that you know your fee before setting your budget. In addition, this will assist the introduction of joint audit and inspection planning in upper tier local authorities from 2003/04.

A transitional arrangement will therefore apply to the audit for 2002/03:

- The next BVPP audit will form part of the 2003/04 Audit
- Our work on the accounts will be unchanged
- We will still carry out risk-based work to meet our other Code of Audit Practice objectives.

This Audit Plan therefore summarises our proposed programme of work for both the 2002/03 and 2003/04 financial years.

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

Our responsibilities

Our principal objective as your appointed auditor is to carry out an audit which meets the Audit Commission's Code of Audit Practice.

To ensure our audit is relevant to the MPA/MPS, we must design a programme of work to address the significant operational and financial risks you face which impact on our responsibilities.

In addition, we have to review whether you have adequate arrangements for:

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

We must also give an opinion as to whether your Accounts present fairly the financial position of the MPA/MPS.

The fee

Your fee has been determined on the basis of the audit risks we have identified, using both our local risk assessment and national risks identified by the Audit Commission. The work that we propose we should undertake to address the audit risks, is set out on pages 3 to 6. These risks have been discussed with staff at the MPA/MPS.

Changes to the Plan may be required if any significant new risks emerge. No changes will be made without first discussing and agreeing them with you.

The fees for the 2002 - 2004 Code of Practice audits (excluding VAT) will be:

	2002/04 £000
Accounts	425
Performance	299
Financial Aspects of Corporate Governance	344
Total Fee	1,068

We have agreed with the Treasurer that a retention of £50,000 will be made from the above fee. The retention will be the subject of discussions about whether levels of risk prove to be as we are currently assuming, before decisions on whether it should be paid are actually made. The combined fee will be charged in 17 instalments from November 2002. For comparison purposes the 2001/2002 fee was £520,000.

The Authority has gross relevant expenditure of £2.2billion. 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 high risk audit.

In addition to the Code of Practice audit you need to arrange for auditors to certify your Government grant claims and returns, for which you will be billed separately.

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.

The work we are currently undertaking for the Police Standards Unit on NCRS data quality is fully funded by the Home Office and is not included in this plan.

Accounts

We are required to give opinions on your Accounts.

We will do this by reviewing your Core Processes, namely:

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

We will then undertake detailed testing of the figures in the Statements of Account.

It should be noted that our accounts audit does not seek either to obtain absolute assurance that the financial statements present fairly your financial position or assurance that they are accurate in every regard.

In this context we adopt a concept of materiality. We seek, in planning and conducting our audit of the Accounts, to identify material errors in your financial statements. Material errors are those which might be misleading to a reader of the financial statements. An unqualified opinion may not be given on financial statements which contain material mis-statements.

In the course of our work we may also identify other mis-statements. Unless we consider these too trifling, we will report them to officers and invite them to consider whether they wish to amend the financial statements. Where we have reported misstatements to officers and they have

chosen not to adjust the financial statements, we will require a written representation explaining the reasons for not adjusting to be presented to the Audit Panel or another appropriate Member forum.

We will also report in the Final Accounts Memorandum any misstatements that have been adjusted where we feel that bringing them to the attention of Members will assist them in fulfilling their duties particularly in relation to internal financial control.

We will undertake specific work to address the specific risks we have identified as outlined below.

Risk	Action proposed
During our audit of the 2001/02 accounts there were a number of occasions where the MPA/MPS was unable to provide us with key material at the agreed times, e.g. reconciliations and other key working papers.	Given that the Whole of Government Accounts initiative will require the MPA/MPS to produce its accounts to a tighter timetable in future, we will work with you to help ensure realistic closedown and audit timetables that will achieve an earlier audit opinion.
SORP2002 requires authorities' to include in their published accounts a Statement of Internal Financial Control.	We will review the practices and procedures supporting the Statement of Internal Financial Control in advance of closure to ensure they are adequate for purpose.
The 2001/02 opinion was qualified in two respects. The qualification related to non-compliance with FRS12 (provisions) and FRS15 (fixed assets). In addition we expect to see further improvements in the methodology used to allocate costs to objectives under the BVACOP.	We will review the arrangements put in place to achieve compliance with the CIPFA SORP and proper accounting practices in the financial statements for 2002/2003 and 2003/2004.
Activity Based Costing is likely to become a requirement in the next few years but the MPA/MPS have so far	We will continue to milestone progress and provide feedback as appropriate.

only made limited progress on this.	
A significant number of covert transactions take place every year.	We will liaise with internal audit to allow us to discharge our respective duties.

Performance

We will:

- review whether you have adequate arrangements to secure economy, efficiency and effectiveness in the use of your resources
- follow up our work from previous years to ensure you have implemented agreed recommendations.

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.

We will also undertake the following additional work to address risks we have identified and agreed need to be addressed for 2002/03. The exact timetabling of this work is still subject to agreement.

Risk	Action proposed
The MPA relies on partnership working as a means of achieving a number of its aims. This partnership working can be both informal, eg through liaison meetings, or more formal, eg through partnership agreements. The risk for the MPA/MPS is that if it does not get partnership working right this will undermine its ability to deliver. In addition, any formal partnership arrangements need to address all relevant probity considerations.	We will carry out a detailed review of partnership working arrangements, focusing in particular on Crime and Disorder and Drug Treatment work as specific probes on the arrangements in place. We will identify good practice and learning opportunities for wider dissemination.
Our 2001/2002 audit of Best Value Performance Indicators identified a number of areas where procedures and	We will carry out workshops on best practice in monitoring performance indicators and maintaining audit

That income generation opportunities are not being maximised.	We will consider the extent to which the income generated from the Heathrow OCU covers the costs incurred in providing the services in question.
Corporate planning and performance management arrangements are still being developed at the MPA/MPS. These processes will need to respond to the new requirement to have in place a 3 year strategy plan.	We will continue our previous work on performance management processes and the extent to which these are linked to the core business of policing, including links to the performance appraisal process.

The risks to be addressed for 2003/04 are:

Risk	Action proposed
That arrangements for the maintenance and upkeep of the property portfolio do not secure maximum economy, efficiency and effectiveness.	We will consider the arrangements in place for the repairs and maintenance programme, including the balance struck between preventative and reactive work.
Support services are increasingly being delivered by means of outsourcing contracts. A new round of competitions are expected to take place shortly.	In partnership with internal audit we will undertake an exercise to ensure that audit work has been, or will be, undertaken on all of these arrangements. Previous recommendations will be followed up and additional work undertaken where necessary.
Considerable resources have been expended on Best Value Reviews and on efficiency studies. There is a risk that maximum benefit is not derived from the action plans and recommendations resulting from this work.	We will assess the management arrangements in place at the MPA/MPS to monitor progress on action resulting from completed best Value reviews and efficiency studies. We will make recommendations for

	improvement as appropriate.
Sickness absence and related issues can have a considerable impact on any organisation, both in terms of the managerial challenge they present and the opportunity costs of the lost time.	We will assess the arrangements in place to manage sickness absence and focus also on the extent to which restrictive and recuperative duties can impact on other priorities.
Inadequate IT management arrangements may be put in place.	We will continue to assess the IT management arrangements and also focus on: <ul style="list-style-type: none"> the extent to which the e-strategy is linked with other strategies the ability to achieve e-policing objectives in the light of the plans and resources in place.

The implications of the Audit Commission's Letter of Guidance are such that the audit year 2002/2003 will not include a review of the Best Value Performance Plan or associated performance information. This work will be undertaken within our 2003/2004 audit plan. We will though, discuss any initial emerging issues with officers during the period.

In 2003/04, we will consider whether you have complied with the statutory requirements in respect of the publication of your Best Value Performance Plan.

We will also follow up certain aspects of our work on estate management, employment tribunals, early retirements and overtime from previous years to ensure you have implemented agreed recommendations.

Governance

We will update last year's detailed review to determine whether you have adequate arrangements (as stated above) for:

- legality
- financial standing

- internal financial control
- standards of financial conduct and preventing and detecting fraud and corruption.

Specific testing will also be undertaken in certain areas to test check that those arrangements are working effectively in practice. The Audit Commission is also running the next stage of the national fraud initiative (NFI) process which the MPA/MPS participates fully in.

We will also address the following risks we have identified for 2002/03:

Risk	Action proposed
Work needs to be undertaken to ensure that the financial systems continue to improve in line with the previously agreed improvement plans.	Assessment of the arrangements to improve the financial systems including the extent to which internal audit work supports this agenda.
The Local Government Act 2000 introduced a new ethical framework for local government in England with the establishment of local Standards Committees. There are reputational risks for the MPA if the Standards Committee fails to operate effectively and if general scrutiny arrangements are not effective.	We will make a presentation to Members of the Standards Committee, sharing experiences from other Authorities and providing examples of the sort of cases they might be called upon to investigate.
The organisation's risk management arrangements are new and untested. Therefore they may not operate effectively to identify and address the significant risks faced by the MPA/MPS.	We will review the risk arrangements developed to assess their adequacy. We will also consider whether the risk registers are being kept up to date on an ongoing basis.

The risks to be addressed in 2003/04 are:

Risk	Action proposed
The C3i project is a very large undertaking that will have a significant impact on the way the MPA/MPS does its business.	We will follow up our previous work in this area and maintain a 'watching brief' on developments as they occur between now and 31 March 2004.
There have been a number of recent developments in the regulatory framework for information management. These include the Freedom of Information, Regulatory Investigative Powers and Data Protection Acts. The MPA/MPS needs to ensure that it complies with the requirements of these Acts.	We will assess the response to these risks through an integrated review of 'Information Governance' arrangements

We are also required to complete annual returns on Stewardship and Governance for the Audit Commission.

Work outside the Code

Currently, we are not proposing any work outside the Code. A number of issues were raised with us during the planning process and these, and any other issues arising, will continue to be discussed with officers. We will agree the fee for any additional work or any extension to the projects planned with senior officers prior to any additional work taking place.

The audit team

Kash Pandya	Appointed Auditor
Kevin Murphy	KPMG Director
Jon Hayes	Audit Manager
Paul Grady	Support Audit Manager
Steve Hancock	IT Specialist
Kerry Reid	Performance specialist

Under the requirements of the Statement of Auditing Standards (SAS) 610, we are not aware

of any relationships that may bear on the independence and objectivity of the team which are required to be disclosed.

In relation to the audit of your financial statements we will comply with the Commission's requirements in respect of independence and objectivity as set out on page 7. If we fall short of your expectations, please let us know, via Jon Hayes, as soon as possible.

The audit team will also liaise closely with Ian Hickman who is co-ordinating pan London inspection work for the Audit Commission, including the Initial Performance Assessment of the GLA and the GLA family.

Further details of 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.

Status of our reports to the Authority

We will provide reports, or other output as agreed, to the MPA/MPS for each of the areas identified above. Our key milestones are set out in Appendix 1 which will be updated regularly and submitted to the Treasurer and Audit Panel.

In basic terms the status of our reports will be:

- our Annual Audit Letter must be made available to the public
- audit reports are generally prepared for the MPA/MPS although the MPA/MPS may decide to make them available to the public.

To comply with SAS 610, 'Communication of audit matters to those charged with governance', we would remind you that our audit reports are:

- prepared for the sole use of the MPA/MPS
- written without assuming any responsibility by ourselves to any other person, including members and officers, or to any third party.

SAS 610 also requires us to report governance (including accounting) issues to those charged with governance. We have agreed this responsibility will be discharged by submitting our final governance and accounts reports to the MPS Management Team and the Audit Panel.

Other SAS 610 requirements

Procedures are in place to identify and address any conflicts of interest, or relationships which may impair independence. Although there are none to disclose as stated earlier (see 'The audit team' above), we will notify you if we become aware of any changes to this situation.

Our audit does not seek either to obtain absolute assurance that the financial statements do give a true and fair view or assurance that they are accurate in every regard. In this context we adopt a concept of materiality. We seek, in planning and conducting our audit of the Accounts, to identify material errors in your financial statements. Material errors are those which might be misleading to a reader of the financial statements. We establish a working 'materiality level' which we apply to errors both individually and in total. We also identify entries and disclosures in the financial statements which, although below the materiality level, might, because of the nature of the entry or disclosure, be misleading to the reader of the financial statements. We plan and perform our work with a view to identifying all errors which we consider to be material, whether in the context of the materiality level or in the context of the individual entry or disclosure.

Planned outputs

Jon Hayes, as Audit Manager, can provide details as required on progress on any of the outputs shown below. He can be contacted on 020 7233 6400. Otherwise key contacts can provide information on their particular reports.

Planned audit output 2002/03	Start date	Draft due date	Key contacts
Review of Partnerships	To be agreed	To be agreed	To be confirmed
BVPI Workshop	To be agreed	To be agreed	To be confirmed
Income Generation	To be agreed	To be agreed	To be confirmed
Corporate Planning	To be agreed	To be agreed	To be confirmed
Follow Up	To be agreed	To be agreed	To be confirmed
Ethical Framework	To be agreed	To be agreed	Jon Hayes
Risk Management	To be agreed	To be agreed	Jon Hayes
NFI	February 2003	N/A	Peter Yetzes
Efficiency Gains letter to HMIC	February 2003	March 2003	Paul Grady
Governance Audit Reports	February 2003	July 2003	Kevin Murphy/Paul Grady
Final accounts memorandum	June 2003	November 2003	Kevin Murphy
Annual Letter	January 2003	November 2003	Jon Hayes

Planned audit output 2003/04	Start date	Draft due date	Key contacts
Repairs and maintenance of the estate	To be agreed	To be agreed	To be confirmed
Outsourcing contracts	To be agreed	To be agreed	To be confirmed
Arrangements to implement BV and efficiency action plans	To be agreed	To be agreed	To be confirmed
Sickness absence including recuperative duties etc	To be agreed	To be agreed	To be confirmed
IT management Arrangements	To be agreed	To be agreed	To be confirmed
NFI	February 2003	N/A	Peter Yetzes
Efficiency Gains letter to HMIC	February 2003	March 2003	Paul Grady
C3i project	To be agreed	To be agreed	To be confirmed
Information governance	To be agreed	To be agreed	To be confirmed
Interim Audit Reports	February 2004	July 2004	Kevin Murphy/Paul Grady
Final accounts memorandum	June 2004	August 2004	Kevin Murphy
Statutory Report on the 2003/2004 Best Value Performance Plan	April 2003	December 2004	Jon Hayes
Annual Letter	April 2003	November 2004	Jon Hayes