

Annual Governance Report

Metropolitan Police Authority

Audit 2009/10

September 2010

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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.
-

2009/10 Annual Governance Report

I am pleased to present my report on the results of my audit work for 2009/10 which has been discussed and agreed with officers.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 12);
- take note of the adjustments to the financial statements set out in this report (Paragraphs 14, 15 and Appendix 2);
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Les Kidner
District Auditor

September 2010

Key messages

This report summarises the findings from the 2009/10 audit which, whilst some work remains in progress, is nearing completion. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements	Results	Page
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	8
Value for money	Results	Page
Adequate arrangements to secure value for money	Yes	12

Audit opinion

- 1 I am nearing the conclusion of my work on the financial statements. Subject to the satisfactory completion of outstanding audit work I propose to give an unqualified opinion that the 2009/10 financial statements give a true and fair view of the financial position of the Authority by the deadline of 30 September 2010. I expect also to issue my certificate which has the effect of closing of the audit.
- 2 The text of my draft opinion is at Appendix 1 and a list of outstanding audit work at the time this report was prepared is in paragraph 11 below.

Financial statements

- 3 The Authority submitted its financial statements to audit by the deadline of 30 June 2010. Working papers provided to support the accounts have been of a good quality and Finance staff have worked with the audit team to ensure the prompt resolution of audit queries.
- 4 Management have made amendments in respect of two errors identified during the audit, which, whilst not material, are of a value I am required to report. These adjustments do not affect the MPA's overall financial position. Details are set out in paragraph 14 below and in Appendix 2.

Key messages

Value for money

- 5** I am satisfied that in all significant respects the Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. I make this judgement having regard to the criteria specified by the Audit Commission and for the year ended 31 March 2010. I plan, therefore, to issue an unqualified value for money conclusion. The draft text of my conclusion is in appendix 1 and a list of the specified criteria at Appendix 4.

Audit fees

- 6** In my original 2009/10 audit fee letter, received by the MPA Corporate Governance Committee on 15 June 2009, the fee for the opinion audit was based on my best estimate at the time and agreed at £365,000 as part of a total audit fee of £516,000. I have contained the audit fee for the opinion within the total you have already agreed and therefore do not propose to increase the 2009/10 audit fee.

Independence

- 7** My brother-in-law is employed as a constable by the MPS. It would be difficult to envisage a situation when this family relationship could give rise to a threat to independence and none has been identified. However, I will be alert to any such threats and should they arise in the future I will put in place appropriate safeguards. I will communicate this to you.
- 8** I can confirm that I have carried out the audit in accordance with the Audit Commission's policies on integrity, objectivity and independence

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

9 I ask the MPA Corporate Governance Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 12);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As Authority members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 10** Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
- 11** The following main areas of audit testing were ongoing at the date of this report:
- some elements of the Income and Expenditure Account;
 - fixed assets;
 - creditors; and
 - Statement of Movement on the General Fund Balance, STRGL and Cash Flow Statement.
- 12** I expect to complete all outstanding testing before 30 September 2010. Should any significant matters arise in concluding the outstanding work, I will raise them with the MPA Treasurer, MPS Director of Resources and the Chair of the Corporate Governance Committee as appropriate.
-

Errors in the financial statements

- 13** My audit testing identified no material errors in the financial statements. In accordance with International Standard on Auditing (UK&I) 320, information is 'material' to the financial statements if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.
- 14** Management has agreed to amend the financial statements for all the errors identified. Two errors, whilst not material, are of a value which I am required to report. These involve:
- re-classifying £3.5 million of the total PFI liability of £105 million as 'current' rather than 'long-term' liabilities in the Balance Sheet; and
 - re-classifying £3.5 million of Pension Fund 'refunds of contributions' as 'other payments' within the Pension Fund Revenue Account.
- 15** In addition management has made several more minor amendments to improve the financial statements which are reported in more detail in Appendix 2.
-

Important weaknesses in internal control

Systems supporting the financial statements

16 I have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements.

Other internal control issues

17 In my 2008/09 Annual Governance Report, I recommended that the MPA/S improve compliance with basic procurement controls, in particular in respect of contract extensions. I note that members have received reports during 2009/10 indicating that adequate arrangements have been established to ensure the regularity of contract management and good progress made in identifying and eliminating non-compliant contract extensions.

18 The Authority should continue to focus on implementing the strengthened arrangements for extending and re-letting contracts to ensure that procedures are sufficiently robust to:

- achieve compliance with procurement laws and regulations; and
- demonstrate that good value for money is being achieved.

Recommendation
<p>R1 Continue to implement the improved arrangements for extending and re-letting contracts to ensure compliance with procurement laws and regulations and demonstrate that good value for money is being achieved on all MPA / MPS contracts.</p>

Letter of representation

19 Before I issue my opinion, I am required by auditing standards to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.

Key areas of judgement and audit risk

20 In planning my audit I identified certain particular risks and areas of judgement which apply specifically to the MPA that I have considered as part of my audit in addition to my normal audit procedures. These risks were reported to the MPA Corporate Governance Committee as part of my 2009/10 supplementary opinion audit plan on 14 June 2010.

21 Table 1 sets out my findings and conclusions from the audit work performed in respect of the risks included in my supplementary opinion plan.

Table 1 Key areas of judgement and audit risk

Risk identified in supplementary opinion plan	Finding
PFI accounting	
<p>Police authorities are required to account for PFI agreements in accordance with International Financial Reporting Standards (IFRS) from 2009/10 onwards, i.e. 'on balance sheet'.</p> <p>The MPA/S has two PFI agreements: one for police stations in south-east London and one for a firearms training centre in Gravesend. We understand that both assets and the means by which they are funded will be included in the 2009/10 financial statements and the 2008/09 comparative figures adjusted for consistency.</p> <p>There was a risk that the new requirements are not properly adhered to, and the accounts misstated as a result.</p>	<p>I am satisfied that the assets have been accounted for correctly apart from one amendment to re-classify £3.5 million of current PFI liabilities separately from long-term liabilities on the balance sheet. This amendment is shown in Table 2 at Appendix 2 to this report.</p> <p>Management also provided greater clarity in the disclosures made in respect of PFI, in particular the adjustments required to prior period balances as a result of the change in treatment. More details are set out in Table 3 at Appendix 2 to this report.</p>
Fixed assets accounting system	
<p>The MPS implemented a new fixed assets accounting system to provide financial information for the 2009/10 financial statements. The introduction of a new system increases the risk that information provided for the accounts will be inaccurate, and the accounts misstated as a result.</p>	<p>I identified no material errors in fixed assets accounting derived from the new fixed assets system.</p>

Risk identified in supplementary opinion plan	Finding
Disclosure of senior staff's remuneration	
<p>With effect from 2009/10, the Accounts and Audit Regulations impose a new requirement on police authorities to disclose individual remuneration details for senior employees and police officers earning over £150,000 per year. The same requirement also applies to any individuals whose remuneration is more than £50,000 per year holding defined 'senior' positions. The Authority will need systems in place to record and report the requisite data in order to comply with the updated regulations.</p>	<p>I have tested the remuneration disclosed in Note 4 of the Authority's financial statements (Senior Officer Remuneration) and am satisfied that the Authority has disclosed its senior officers' remuneration in accordance with the new requirements.</p>
Classification of grant funded expenditure	
<p>The SORP requires that grants ring-fenced to specific services or activities be classified separately to general purpose grants on the face of the Income and Expenditure Account. I recommended in my 2008/09 Annual Governance Report that the Authority review the classification of £1,661 million grant income to ensure the accounting is consistent with this SORP requirement.</p>	<p>I have confirmed that grant income disclosed in the Authority's Income and Expenditure Account is correctly classified between service income and other grant income.</p>
Changes in Best Value Accounting Code of Practice - objective analysis of police costs	
<p>From 2009/10 the Best Value Accounting Code of Practice (BVACOP) requires police authorities to introduce a revised Police Service Expenditure Analysis on the face of its Income and Expenditure Account involving nine divisions of service in place of the single Policing Services line in prior years' accounts. This will require a new, more detailed, objective analysis of expenditure to be prepared including appropriate 2008/09 comparative information.</p>	<p>Income and expenditure is fairly stated within the Income and Expenditure Account and is classified in accordance with the new BVACOP requirements.</p>

Accounting practice and financial reporting

Other than those matters reported elsewhere I identified no further issues relating to accounting practice I need to raise with you.

Value for money

I am required to decide whether the Authority put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. I have based my conclusion on my work on the use of resources judgement.

Value for money conclusion

- 22** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I set out my conclusions against each of the criteria in Appendix 4.
- 23** I intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.

Glossary

Annual governance statement

24 A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

25 A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

Audit opinion

26 On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
 - whether they have been prepared properly, following the relevant accounting rules; and
 - for local probation boards and trusts, on the regularity of their spending and income.
-

Qualified

27 The auditor has some reservations or concerns.

Unqualified

28 The auditor does not have any reservations.

Value for money conclusion

29 The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix 1 – Independent Auditor’s report to Members of the Metropolitan Police Authority

Opinion on the accounting statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of the Metropolitan Police Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of the Metropolitan Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the MPA Treasurer and auditor

The Treasurer’s responsibilities for preparing the accounting statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its police pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June

Appendix 1 – Independent Auditor’s report to Members of the Metropolitan Police Authority

2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword to the accounting statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the police pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the police pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the police pension fund accounting statements and related notes.

Opinion

In my opinion:

- the accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- the police pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the police pension fund during the year ended 31 March 2010 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2010,

other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, the Metropolitan Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

L. J. Kidner
District Auditor

First floor, Millbank Tower
Millbank
London
SW1P 4HQ

September 2010

Appendix 2 – Amendments to the draft accounts

Numerical amendments

The table below sets out the numerical amendments I identified during my audit and that management has agreed to correct. I bring them to your attention to aid you in fulfilling your governance responsibilities.

Table 2 Numerical amendments

		Income and Expenditure Account		Balance sheet	
Area of financial statements	Nature of amendment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Main accounting statements					
Balance Sheet - PFI Liabilities	<p>The balance sheet in the draft financial statements showed a £105m long-term liability in respect of two PFI agreements. My testing found the overall PFI liability was fairly stated, but because £3.5m will fall due in 2010/11 this element should be presented as a current liability on the balance sheet. The amendments required are:</p> <p>dr Balance Sheet - long-term liabilities cr Balance Sheet - short-term liabilities</p> <p>This change is presentational and does not change the reported performance or available reserves.</p>			3,584	3,584

Appendix 2 – Amendments to the draft accounts

		Income and Expenditure Account		Balance sheet	
Police Officer Pension Fund					
Police Officer Pension Fund Revenue Account	<p>My testing found that £3.7m expenditure on refunds of pension contributions on the face of the Revenue Account was overstated by £3.5m and Other Payments of -£3.4m were understated by £3.5m. The amendment required to correct these errors are:</p> <p>dr Pension Fund Revenue Account - other payments cr Pension Fund Revenue Account - refund of contributions</p> <p>These two errors offset one another, and so do not change the reported financial performance of the Police Officer Pension Fund for the year.</p>	3,502			
			3,502		

Disclosure amendments

The table below sets out the amendments to disclosures in the financial statements I identified and that management has agreed to correct.

Table 3 Disclosure amendments

Area of financial statements	Nature of amendment	Amendment agreed with management
Disclosure of prior period adjustments arising from adoption of IFRIC 12 (service concessions)	The Authority made prior period adjustments in respect of its two PFI contracts as a result of the adoption of IFRIC 12 (service concessions) which requires these contracts be accounted for on-balance sheet from	<p>Management has agreed to disclose the cumulative effect on reserves of £39.2m resulting from prior period adjustments due to the adoption of IFRIC 12 at the foot of the Statement of Total Recognised Gains and Losses.</p> <p>Management has also agreed to add a prior period adjustment note to show:</p>

Appendix 2 – Amendments to the draft accounts

Area of financial statements	Nature of amendment	Amendment agreed with management
	<p>2009/10 onwards. My audit testing confirmed the adjustments the Authority had made to its prior period balances were materially correct. However, the Authority had not followed the SORP requirements to:</p> <ul style="list-style-type: none"> • disclose the cumulative effect on reserves of these adjustments at the foot of the Statement of Total Recognised Gains and Losses; or • disclose the prior period adjustments themselves in the notes to the financial statements, including the effect of the adjustments on the outturn of the preceding period. 	<ul style="list-style-type: none"> • a £34m reduction to prior period expenditure resulting from the replacement of the unitary charge for the two PFI contracts under UK GAAP with interest and depreciation charges under IFRIC 12. This change does not affect the Authority's General Fund balance because it is offset by a £34m increase in the Minimum Revenue Provision charged to the General Fund, and which is also reflected in the enhanced disclosure in Note 12; • a £68m increase to the prior period Revaluation Reserve balance (relating to revaluation gains recognised in respect of PFI assets since the inception of the PFI agreements); and • a £29m decrease to the prior period Capital Adjustments Account balance (relating to depreciation charged on PFI assets since inception).
Note 6 - leases	<p>Note 6 (Leases) discloses the finance and operating lease expenditure the Authority is committed to incur in the next financial year, analysed between those leases that will expire in the next year, in the second to fifth subsequent years, and from the sixth subsequent year onwards. My testing found the expenditure disclosed in respect of operating leases did not agree to the Authority's underlying records.</p>	<p>The Authority has amended the operating leases disclosure in Note 6 to show operating lease expenditure of:</p> <ul style="list-style-type: none"> • £1.8m due in the next financial year (a decrease of £3.3m on the equivalent figure in the draft financial statements); • £7.4m due between two and five years (an increase of £2.1m); and • £31.3m due in more than five years (an increase of £0.7m).

Appendix 3 – Draft letter of representation

To:
Mr L.J. Kidner
District Auditor
First floor, Millbank Tower
Millbank
London
SW1P 4HQ

Metropolitan Police Authority - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the Metropolitan Police Authority and Metropolitan Police Service, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2010. All representations cover the Authority's accounts and Police Officer Pension Fund accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the Authority and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority and Committee meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error. There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;

- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority.

The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair values

I confirm the reasonableness of the significant assumptions within the financial statements. For all assumptions, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in the note to the financial statements we have no other lines of credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Authority, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements. The Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Specific representations

Covert accounts

We confirm that the financial transactions maintained for police covert activity are materially accurate.

Bank accounts

We are not aware of any bank accounts held by the Authority that have not been disclosed in the financial statements.

PFI

There have been no variations or amendments to the terms of either of the PFI contracts below of which the auditor has not been notified which could have a material effect on the value of PFI assets, liabilities and related expenditure disclosed in the financial statements.

- Contract 1 – South London police stations; and
- Contract 2 – Gravesend public order and firearms training centre.

I confirm that this letter has been discussed and agreed by the Authority.

Signed on behalf of the Metropolitan Police Authority.

Mr Bob Atkins

MPA Treasurer

Signed.....

Date.....

Ms Catherine Crawford

MPA Chief Executive

Signed.....

Date.....

Lord Toby Harris

Chair of MPA Corporate Governance Committee

Signed.....

Date.....

Appendix 4 – Value for money criteria

KLOE	Met
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources	Yes
Strategic asset management	Not assessed in 2010
Workforce	Yes

Appendix 5 – Action plan

Page no.	Recommendation	Priority	Responsibility	Agreed	Comments	Date
	Contracting					
10	R1 Continue to implement the improved arrangements for extending and re-letting contracts to ensure compliance with procurement laws and regulations and demonstrate that good value for money is being achieved on all MPA / MPS contracts.	High		Yes	Good progress continues to be made in strengthening the control environment around procurement which the Authority will continue to closely monitor	

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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