

External audit progress report

12 December 2011

Metropolitan Police Authority

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

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We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Audit update

1 This paper updates the Corporate Governance Committee on progress in delivering my responsibilities as the Authority's external auditor. It also highlights key emerging national issues and developments which may be of interest to committee members.

2 Please also remember to visit our website (www.audit-commission.gov.uk) which now enables you to sign-up to be notified of any new content that is relevant to the police and community safety sector. If you require any additional information on the matters in this report please contact me or your Engagement Manager using the contact details below.

Your audit team

Name	Contact details	Responsibilities
Karen McConnell Senior Director of Audit	k-mcconnell@audit-commission.gov.uk 0844 798 5814	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and Value for money conclusion. Key contact for Deputy Mayor, MPS Commissioner, MPA Chief Executive, Treasurer and members, in particular Corporate Governance Committee.
Neil Harris District Auditor	neil-harris@audit-commission.gov.uk 0844 798 2414	Oversees delivery of our opinion and Value for money audit work. Ensures our audit quality and financial targets are delivered. Leads audit team, including performance management and workforce planning. Key contact for the MPA Treasurer, MPS Deputy Commissioner, Director of Resources MPS Management Board.
Tom Edgell Audit Manager	t-edgell@audit-commission.gov.uk 0778 670 4178	Works to the District Auditors and resources and manages the day-to-day audit. Leads on HMI liaison. Provides regular updates on audit progress through liaison with finance staff, Internal Audit and other key staff.

Progress against the 2010/11 audit plan

3 I have reported my Annual Audit Letter to today's Corporate Governance Committee meeting. This means I have now completed all planned work and issued all reports from my 2010/11 audit.

My 2011/12 audit plan

4 I have provided details of each of the activities and reports in my 2011/12 Audit Plan with key milestones for completion shown at appendix 1.

The Mayor's Office for Policing and Crime

5 MPA and MPS officers are developing a governance framework for the new Mayor's Office for Policing and Crime (MOPC) and the Commissioner of Police of the Metropolis (CPM). These new arrangements result from the legislation contained in the Police Reform and Social Responsibility Act 2011 and will take effect from 16 January 2012.

6 My audit team are meeting MPA and MPS finance officers at two accounting workshops during December to discuss the accounting implications of the new legislation which will require the preparation of separate financial statements for both the MOPC and the CPM. Once available I will test the reasonableness of the judgements made by officers in allocating assets, liabilities and transactions between the two sets of statements, applying the accounting concept of substance over form. I will also review arrangements for the preparation of group financial statements to consolidate the activity, assets and liabilities into one set of statements for the MOPC group.

7 I will continue to meet with officers regularly in the New Year to stay up to date with accounting developments and to provide an audit view on officers' accounting proposals and developing governance arrangements where appropriate. I will also review and update my 2011/12 audit plan to reflect the audit work required in respect of two separate client bodies in the MOPC and the CPM rather than one. I expect to share my updated audit plan with officers shortly.

Raising Fraud Awareness

8 I have included my 2011 Raising Fraud Awareness report as a separate item on today's agenda. I delivered this work on request from the MPA and MPS under the Audit Commission's Advice and Assistance powers.

9 The MPA Director of Audit, Risk and Assurance and the MPS Director of Resources have asked me to deliver a further ten Raising Fraud Awareness workshops which will take place between January and March 2012. The agreed fee for these workshops is £30,000.

Other matters of interest

Update on the externalisation of the Audit Practice

10 The Audit Commission's Chief Executive Eugene Sullivan wrote to clients on 21 September 2011 summarising the Department for Communities and Local Government's plans for externalising the Audit Commission's work that is currently undertaken by the Audit Practice. The key points are as follows.

- Contracts will be let from 2012/13 on a three- or five-year basis. The earliest you will be able to appoint your own auditors is therefore for the 2015/16 audit.
- The work is split into four regions, comprising ten 'lots'. Each lot will be awarded separately, but any individual bidder can only win a maximum of one lot in each region (ie four lots in total).
- The Commission is managing a fair and equitable procurement process to allow suitable private-sector providers the opportunity to bid.
- Bids are due in by mid-December 2011, with the contract awards planned for mid-February 2012, with formal Commission approval planned for late July 2012 following consultation.
- Appointments will start on 1 September 2012. As such, the Commission will extend the current audit appointment to allow any audit issues arising between 1 April 2012 and 31 August 2012 to be dealt with. The costs of this 'interim' audit role will be met by the Commission.
- Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

11 The four regions (in bold) and ten contract areas are:

Northern

- North West
- North East and North Yorkshire
- Humberside and Yorkshire

Central

- West Midlands
- East Midlands
- Eastern

London

- London (North)
- London (South), Surrey and Kent

Southern

- South East
- South West

12 The Metropolitan Police Authority and the other GLA bodies are on the South London, Surrey and Kent contract area.

13 A further update was provided in Eugene Sullivan's letter to clients of 10 November 2011. Thirteen potential providers have now been invited to tender following the initial pre-qualification stage:

- BDO LLP;
- DA Partnership Ltd;
- Deloitte LLP;
- Ernst and Young LLP;
- Grant Thornton (UK) LLP;
- consortium led by Haines Watts;
- KPMG LLP;
- Menzies LLP;
- consortium led by MHA Audit LLP;
- consortium led by Moore Stephens LLP;
- PKF (UK) LLP;
- pwc LLP; and
- RSM Tenon Audit Ltd.

14 Against this background, the Audit Practice's focus remains:

- fulfilling our remaining responsibilities – completing our work for 2010/11 and delivering your 2011/12 audit – to the high standards you expect and deserve; and
- managing a smooth transition from the Audit Practice to your new audit provider.

15 Further details including the outsourcing timetable are available on the Audit Commission's website at <http://www.audit-commission.gov.uk/aboutus/future/Pages/timetable-for-outsourcing-process.aspx>. We will continue to keep you updated on developments.

Fighting Fraud Together

16 On 12 October 2011, 37 organisations joined forces to launch 'Fighting Fraud Together', a new strategy that aims to reduce fraud – a crime estimated to cost the UK £38 billion every year, of which £21 billion is estimated to occur in the public sector. The organisations involved include the NHS, the Charity Commission, the Department for Communities and Local Government, HM Revenues and Customs and the Association of Chief Police Officers.

17 It is the first time that government, industry, voluntary groups and law enforcement agencies have joined together on such a large scale to sign a joint commitment to tackle fraud. All 37 partners that have signed up to the 'Fighting Fraud Together' strategy which will contribute to and be accountable for its success.

18 The strategy and its accompanying action plan place a strong emphasis on preventing fraud through greater fraud awareness and self protection, combined with stronger government and industry prevention systems and controls.

19 Examples of the new initiatives include:

- preventing fraud: Industry and the public sector will develop their intelligence-sharing capabilities to prevent fraud attacks;
- increasing awareness and reporting: A new research tool will help all sectors provide more targeted prevention advice to the public, particularly vulnerable people, and develop a better understanding of small businesses' vulnerability to fraud and the support they need; and
- a more effective enforcement response: Greater intelligence capabilities of the National Fraud Intelligence Bureau will disrupt fraudsters' activities and rapidly close down the channels through which they operate and launder money.

The strategy is available on the National Fraud Authority's website at <http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-tog/fighting-fraud-together> for more information.

Code on Data Transparency

20 On 29 September 2011 the Department for Communities and Local Government (DCLG) published the Code of Recommended Practice for Local Authorities on Data Transparency. This is available on DCLG's website at <http://www.communities.gov.uk/publications/localgovernment/transparencycode>. Subject to consultation, we understand that Ministers are minded to make this Code a legally binding requirement.

21 The Code requires local authorities to publish public data as soon as possible following production even if it is not accompanied with detailed analysis. Where practical, local authorities should seek to publish in real time. As a minimum, the public data that should be released are:

- expenditure over £500 (including costs, supplier and transaction information);
- senior employee salaries, names (with the option for individuals to refuse to consent for their name to be published), job descriptions, responsibilities, budgets and numbers of staff;
- an organisational chart of the staff structure of the local authority including salary bands and details of currently vacant posts;
- the 'pay multiple' – the ratio between the highest paid salary and the median average salary of the whole of the authority's workforce;
- councillors' allowances and expenses;
- copies of contracts and tenders to businesses and to the voluntary community and social enterprise sector;
- grants to the voluntary community and social enterprise sector should be clearly itemised and listed;
- policies, performance, external audits and key inspections and key indicators on the authority's fiscal and financial position;

- the location of public land and building assets and key attribute information that is normally recorded on asset registers; and
- data regarding the democratic running of the local authority including the constitution, election results, committee minutes, decision – making processes and records of decisions.

Karen McConnell
Engagement Lead

December 2011

Appendix 1 Planned outputs from my 2011/12 audit

The table below sets out the outputs from the 2011/12 Audit Plan for the Metropolitan Police Authority. I am currently revising this plan to take account of the new arrangements arising from the Police and Social Reform Act and the creation of two separate legal entities in the Mayor's Office for Policing and Crime (MOPC) and the Commissioner of Policing of the Metropolis (CPM).

Area of audit plan	Timetable for work	Final report date	Comments
Audit fee letter	–	July 2011	Reported to the Corporate Governance Committee on 7 July 2011.
Audit plan	February 2012	March 2012	The Audit plan summarises the results of my detailed audit planning which I will complete early in the New Year.
Annual Governance Report	December 2011 – September 2012	September 2012	Report summarising significant issues arising from audit of financial statements.
Auditor's report on the financial statements and the VFM conclusion	December 2011 – September 2012	September 2012	Fieldwork to commence in December 2011.
Opinion audit report	October 2012	October 2012	Detailed report on findings from audit of financial statements, addressed to finance officers on completion of audit work.
Annual Audit Letter	October 2011	October 2012	Summarises the main findings from my 2011/12 audit programme.

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