

Annual Audit Letter 2000/2001

Follow-up Actions

The audit letter does not contain formal recommendations but it makes a number of points which we need to ensure are addressed. The following table seeks to identify all the relevant points, provides an initial comment where appropriate and indicates the process for addressing them. The headings relate to the sections of the annual letter.

|   | <i>External auditor's comment</i>   | <i>Initial response</i>   | <i>Process</i>   |
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|   | <b>ACCOUNTS</b>   |   |  |
| 1 | We are minded to qualify our opinion on the financial statements because of reservations about the adequacy of the provisions set aside to meet third party and police pension liabilities. (Subsequently confirmed in the opinion to the accounts.)  | The two issues require separate consideration. The issue of accrued third party (or insurable) liabilities is addressed in the notes to the accounts. The position can be rectified over a period of years as relevant information is captured. There is probably a resource issue. The pension liabilities item is primarily an issue of finding resource to increase the reserve. | Treasurer to report to FPBV Committee to secure agreement to a strategic response.           |
| 2 | The accounts did not comply with the CIPFA Best Value Accounting Code of Practice or with the new accounting standard on charging for the depreciation of fixed assets. These matters, together with the need to account more transparently for pensions, will have to be resolved for 2001/02. | These matters are being actively addressed.   | Treasurer to report to Audit Panel on the steps being taken to ensure compliance in 2001/02. |

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|   | <b>FINANCIAL ASPECTS OF CORPORATE GOVERNANCE</b>  |   |  |
|   | <b>Financial standing</b>   |   |  |
| 3 | The Authority's financial position is precarious and is of great concern. The current weaknesses in budgetary control arrangements reinforce the need to build up sufficient balances to meet unforeseen needs. Cultural change initiatives that support local accountability and financial control will be essential pre-requisites to driving forward the improvement agenda....The Authority must take action to ensure that future plans and budgets allow for a prudent level of reserves. | These comments relate to the Authority's reserves policy generally and to the initiatives to improve financial management in the MPS. They need to be considered in the context of an overall strategic approach. A medium term financial management strategy is being developed. | Treasurer to report to FPBV Committee as part of consideration of the overall strategy for improving financial management. |
|   | <b>Systems of internal financial control</b>  |   |  |
| 4 | Internal audit need to improve on the speed with which they deliver their work and focus more on the resources they consume in delivering audit products.... The MPA should establish a mechanism by which progress on internal audit recommendations can be followed up.   | Internal audit has responded to the external auditor's report on their performance. The Audit Panel has agreed arrangements for following up internal audit recommendations.  | Audit Panel to receive the external audit report on internal audit. The Panel to confirm their follow up arrangements.     |
| 5 | Significant weaknesses persist in respect of controls over billed income and the management of suspense accounts.   | These control weaknesses have been previously identified by KPMG in their audit work on behalf of the NAO prior to the establishment of the MPA.  | Director of Resources to report to the Audit Panel on actions to remedy the weaknesses.                                    |
| 6 | Our principal concern is the lack of high level controls, such as detailed budget reports and   | This should be addressed as part of the overall programme for   | Treasurer to include with report in item 3.  |

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|    | system reconciliations.   | improvement of financial management. It should therefore be included in the strategy referred to in item 3 above.   |  |
|    | <b>Legality of financial transactions</b>   |   |  |
| 7  | There is a need for the arrangements concerning liaison between the monitoring officer and the MPS legal team to be clarified.                  |   | Clerk to report to FPBV Committee  |
| 8  | Advice on legal or human resource implications should be included in all reports.   | This can be dealt with readily in relation to human resource implications and just requires an executive decision. However there is an issue about the internal capacity of the MPA/MPS to address legal issues on a range of subjects as a matter of routine. There is a need to give further consideration as to how assurance can be provided that relevant legal advice has been taken. | Clerk (Secretariat) to action in relation to HR implications. Clerk to consider with Commissioner's representatives in relation to legal implications. |
| 9  | There is a need to consider the obligations the MPA/MPS needs to place on its contractors to ensure their compliance with the Human Rights Act. |   | Clerk to consider with Commissioner's representatives and report as appropriate.   |
|    | <b>Standards of financial conduct and the prevention and detection of fraud and corruption</b>  |   |  |
| 10 | There remains the need for a global MPA anti-fraud and corruption policy to be introduced.  | It is recognised that there are already substantial initiatives within the MPS to address fraud and corruption. The requirement here is   | Treasurer and Director of Resources to report proposals to the Audit Panel   |

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|    |  | to have a single policy document approved by the MPA which provides an overall context. |  |
| 11 | MPA/MPS need to improve the level of control exercised over the receipt of gifts and hospitality and declarations of pecuniary interest. |   | Clerk/Treasurer to review arrangements and bring forward proposals to the Audit Panel. |
|    | <b>PERFORMANCE MANAGEMENT</b>  |   |  |
|    | <b>Best value performance plan</b>   |   |  |
| 12 | This section refers to the Audit carried out earlier in the year which has already been reported to FPBV Committee                       |   |  |
|    | <b>Performance information</b>   |   |  |
| 13 | No action required   |   |  |
|    | <b>Use of resources</b>  |   |  |
| 14 | This section refers to reviews on specific topics  |   | Individual audit reports to be considered by appropriate MPA committees.               |