

Metropolitan Police Authority

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Reference:	Metropolitan Police Authority Annual Audit Letter Final
Authors:	Kash Pandya, District Auditor Jon Hayes, Audit Manager
Date:	December 2003

The purpose of this Letter

This Annual Audit Letter to the Metropolitan Police Authority (MPA) summarises the conclusions from our 2002/2003 audit. It also reports to Members the significant issues arising from our audit, together with our comments on other current issues.

More detail on the specific aspects of our audit can be found in the separate reports we have issued during the year. These reports are discussed and agreed with officers and staff of the MPA and the Metropolitan Police Service (MPS) and are presented to the Audit Panel and/or MPA Committees. The reports we have issued are listed at the end of this Letter for information.

The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.

Audit objectives

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit and focus on the significant financial and operational audit risks that are relevant to our responsibilities. We also liaise regularly with both your own Internal Audit and Her Majesty's Inspectorate of Constabulary (HMIC) to minimise duplication and co-ordinate our efforts. Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Exhibit 1.

EXHIBIT 1

The three main elements of our audit



Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct & the prevention and detection of fraud and corruption.
- Legality of transactions.

Performance management

- Use of resources.
- Best Value.
- Performance indicators.

Overview

In our previous Letters, we have commented on the commitment of Members and senior staff to the changes that were taking place at the MPA/MPS and the clear desire to translate the vision for policing in London into reality, while also highlighting the enormity of the task ahead, given the extent of the weaknesses in the infrastructure of the organisation.

Our overall conclusion this year is that, despite the very challenging circumstances the MPA/MPS is currently operating in as a result of the need to combat the threat of terrorism, the change programme continues to take effect in a number of key areas. These include the success of recent 'street crime' initiatives, improving the financial

position and maintaining police recruitment at record levels.

We are also pleased to note the widespread recognition throughout the organisation that much still remains to be done to strengthen the infrastructure of the MPA/MPS and deliver further tangible improvements to the services provided. Most importantly there are a number of key challenges to be addressed in the medium term. These include the successful management of the transition to the new command and control system (C3i) and further moves towards greater devolved financial accountability. Both of these initiatives will have a profound effect on the way the business operates and will require substantial cultural change.

Despite the significance of these events and a background of further changes to key personnel, both officers and Members (given the 2004 elections), we would urge that the momentum gained is not lost. We expect to see further stepped improvements, similar to those of recent years, in the coming year.

Key messages

Accounts

We issued an unqualified audit opinion on the MPA's 2002/03 financial statements on 22 December 2003. The procedures used to produce the accounts have again improved and the matters that led us to qualify the accounts in the past have now been resolved.

Financial aspects of corporate governance

The MPA's financial health has improved considerably in the last year. However, given ongoing budgetary pressures, the position will need close monitoring to ensure that progress continues. The budget round for 2004/2005 will be difficult.

The systems of internal financial control have improved in the last year. Nevertheless, the need to strengthen budgetary control and the financial skills available to Operational Command Units (OCUs) remains.

Arrangements for maintaining standards of conduct, and for preventing and detecting fraud and corruption, are improving.

Arrangements for ensuring the legality of transactions with financial consequences have been strengthened but still need further development.

Performance management

Our review of compliance with the National Crime Recording Standard concluded that an overall assessment of an amber traffic light was appropriate. Significant improvement is still needed to achieve a green traffic light score.

Our review of plans to implement activity based costing concluded that an overall assessment of green was appropriate.

We have undertaken other work in areas that represent audit risks to the operational success of the MPA/MPS. This has identified good practice, as well as opportunities, for improvement. Our follow up work on previous audit recommendations has shown some progress against agreed action plans.

Although the 2003/2004 Best Value Performance Plan (BVPP) was a useful document in setting out the MPA's improvement priorities, some of the Best Value Performance Indicators (BVPIs) within it did not comply with statutory requirements, thereby requiring us to qualify our opinion on it.

Accounts

We issued an unqualified audit opinion on the MPA's 2002/03 financial statements on 22 December 2003. The procedures used to produce the accounts have again improved and the matters that led us to qualify the accounts in the past have now been resolved.

Statement of accounts

The production of this year's accounts to the earlier timetable set by the Treasurer was a significant achievement and a useful step towards the much earlier deadline of 30 June that will be required for the 'Whole of Government' accounts initiative from

2005/2006. The accounts presented for audit were of a generally good standard, were substantially compliant with required accounting practice and represent a further improvement in line with that which we have seen in previous years.

Statement of Auditing Standard (SAS) 610 'Reporting to those charged with governance' applies to the audit of your accounts for the first time in 2002/03. The SAS requires auditors to report to those charged with governance (as distinct from management) certain matters before they give an opinion on the financial statements. These include:

- expected modifications to the auditors' report
- unadjusted misstatements
- material weaknesses in the accounting and internal control systems identified during the audit
- their views about the qualitative aspects of the entity's accounting practices and financial reporting
- matters specifically required by other auditing standards to be communicated to those charged with governance
- any other relevant matters relating to the audit.

We reported to the Audit Panel under SAS 610 on 1 December 2003. There were no matters to report as your officers had addressed matters arising during the audit.

We concluded our accounts audit and issued our opinion audit on 22 December 2003. Our opinion was unqualified although two major issues arose during the audit:

- the previous lack of robust valuation arrangements for fixed assets, now included in the accounts at a value of £1,687m, was addressed by a valuation of a significant proportion of the estate. The planned cyclical programme of valuations now needs to be delivered.
- there are a number of material outstanding debtor and creditor balances in the accounts relating to the affairs of the former Inner London Probation Service and the Inner London Magistrates Court Service. These are

now at least three years old and need to be promptly resolved with the successor bodies and their impact, if any, on reserves quantified. We understand that work is in hand to achieve this.

We recognise the considerable progress that has been made in building up the provisions for third party liabilities to £40m and certain pension liabilities to £35.6m. We are satisfied that they are now at a reasonable level. As a result, we have not had to repeat our previous audit qualifications in these areas. These issues have rightly been given priority in recent years. Now they have been resolved there is scope to improve other aspects of the accounts production process (e.g. bringing forward the timetable). A working group has recently been set up for this purpose. We welcome this initiative and will support it as necessary.

Continuing accounting developments, including the full implementation of the accounting standard FRS17 on pension liabilities, will have a significant impact on the MPA's accounts in the future. In particular the full liability falling to the MPA/MPS for police pensions (estimated to be of the order of £8,800m) will need to be included on the balance sheet for next year and the existing pension provision of £35.6m reclassified as an earmarked reserve. These changes will have no financial impact on the MPA but given their magnitude could distort the picture given by the accounts.

Grant Claims

The MPA/MPS receives some £150m annually from government departments (excluding Police Grant Act). The MPA/MPS has encountered difficulties in recent years in submitting accurate and timely grant claims for audit. This could result in withholding or losses in grant entitlements. Officers recognise that the process for compiling grant claims needs improvement and a number of steps have already been taken. We will be working with officers in the coming months to assist in the resolution of these issues.

Financial aspects of corporate governance

Financial standing

The MPA's financial health has improved considerably in the last year. However, given ongoing budgetary pressure, the position will need close monitoring to ensure that progress continues. The budget round for 2004/2005 will be difficult.

General Fund net expenditure for the 2002/2003 financial year was £2,210m, slightly lower than the total budget of £2,217m. This was the result of both under and over spendings on a number of budget heads. The main areas of overspend were police overtime (£3.8m), and general running expenses (£3.8m). An underspend occurred on civilian and police pay (£38.8m) as a result of recruitment taking place later than expected and income from partnerships and other sources was higher than anticipated. These variances demonstrate the continued volatility of expenditure and income against the agreed budget, despite the significant improvements that have occurred in recent years.

The difficulties experienced in controlling the budget make it more essential, than would be the case in organisations with more effective budgetary control systems, to maintain an adequate level of general reserves.

Given this, it is pleasing to note that 2002/2003 saw the MPA transferring additional sums to the general reserve and to provisions. The general reserve stood at some £24.0m (just over 1% of budget or the equivalent of around 5 days total expenditure) at 31 March 2003 (£22.3m at 31 March 2002). The provisions for third party and certain pension liabilities as previously explained in this letter now stand at an adequate level.

While this is a significant improvement, there is no room for complacency. The Authority must take action to ensure that future plans and budgets allow for further contributions to be made to the general reserve where possible, as the 1% of the net annual budget figure that the Treasurer has recommended and achieved is

only the minimum level he deems appropriate. We concur with his view. In addition, the age profile of police officers in the MPS means that there are some significant peaks in likely retirements as a result of past recruitment drives, which will increase the reserve required for pensions in the medium term.

The latest report on the 2003/2004 budget shows a number of overspends, within the overall underspend position. Corrective action is being taken, but officers must remain vigilant. The Treasurer's most recent paper on the budget for 2004/2005 shows that significant savings will need to be found to balance the budget. Furthermore, the impact of CIPFA's Prudential Code, for assessing the affordability of capital spending, on the MPA's future financial position will also need to be considered.

Given these matters, decisions on the 2004/2005 budget and service levels will be difficult. Members will 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 and that financial and service planning links more clearly to the MPA/MPS strategic plans. Effective implementation of devolution arrangements will need to be a critical element of these developments.

Systems of internal financial control

The systems of internal financial control have improved in the last year. Nevertheless, the need to strengthen budgetary control and the financial skills available to Operational Command Units (OCUs) remains.

Our review of the key financial systems and controls found evidence of improvement as a result of the additional resources that have been made available in recent years to recruit more skilled finance staff. However, there is still much that remains to be done to achieve the standard of financial control that we would hope to see and that you are committed to achieve.

The number of key controls operating adequately has increased since last year but we have still made a number of key recommendations, particularly around strengthening budgetary control and the payroll and creditor payments systems.

Our key concern remains top-level budgetary controls which are still not strong enough. There is a need to improve the level of financial skills available to OCUs and to align detailed budgets better to operational priorities. In addition, the impact of the increasing number of partnership arrangements that are being entered into on the overall control framework needs to be monitored and, if necessary, controls brought into line with new ways of working.

This year we have also undertaken some work on your risk management arrangements. A director of risk management has been appointed who has produced a risk management strategy. We have shared good practices and the results of a national bench-marking exercise that we have undertaken. Our work has shown that good practices exist in many parts of the MPS but that the challenge now is to ensure these are applied consistently across the whole organisation.

We liaise closely with Internal Audit and rely on their work where possible. Internal Audit has made continued progress in the implementation of our recommendations. Our review of Internal Audit work completed in the 2002/03 audit year noted improvements in the quality of documentation, referencing and evidencing of audit work.

We were pleased to note that Internal Audit has clarified and improved the transparency of its reporting of performance to the Audit Panel. Internal Audit achieved completion of 81% of their planned systems audit work for 2002/2003 (i.e. audit fieldwork completed and a draft or final report issued). We welcome the improvement in performance over previous years.

Standards of financial conduct & prevention and detection of fraud and corruption

Arrangements for maintaining standards of conduct, and for preventing and detecting fraud and corruption, are improving.

Our work this year has shown that the Authority has made progress against our previous recommendations. The Anti Fraud and Corruption policy was approved and adopted in January 2003. This serves as an important tool in the Authority's continuing efforts to promote an anti-fraud and corruption culture across the organisation.

The Authority has accepted and implemented our recommendation that Members should be regularly reminded of the need to declare any interests, gifts and hospitality. However, we noted considerable lapses in time before responses from Members were returned. Members must be encouraged to return their declarations promptly. We will continue to monitor the progress on this from time to time.

Our work has also shown that the onus remains on individual senior officers to make their own declarations of gifts and hospitality. Additionally, apart from the returns sought for the final accounts close down procedures for the purposes of FRS8 (related party transactions disclosures), no other proactive steps are taken to seek declarations of interests from senior officers within the MPS. Where senior officers do not make such declarations, it is difficult to ascertain whether this is because there is nothing to declare or whether it is an oversight on the part of the person in question. Where there is nothing to declare senior officers should be encouraged to positively sign up to a nil declaration to reduce the MPS's vulnerability to possible criticism.

Internal Audit have undertaken work on a number of relatively high profile investigations in the last year with the support of senior management and Members. This demonstrates the top level commitment to raising standards and acts a useful deterrent. Internal Audit have also continued to be an active participant in our National Fraud Initiative, which uses computer assisted techniques to match data and identify instances of possible fraud.

We completed a specific review of the controls in place to ensure appropriate authorisation and management of Members' expenses. Though, this work did not identify any material areas of concern, we have recommended that the audit trail to support claims should be strengthened by, for example, ensuring that:

- all claims are authorised prior to payment
- claims not supported by receipts are rejected.

An action plan is being agreed with the MPA to address these issues.

Legality of transactions

Arrangements for ensuring the legality of transactions with financial consequences have been strengthened but still need further development.

We have reviewed the Authority's overall arrangements and have not identified any significant areas of concern. A legally qualified Deputy Clerk and Solicitor has recently been appointed, providing the Authority with internal access to legal advice independent of the MPS. The Authority also continues to take steps to raise its profile as a body which can hold the MPS accountable, although it is acknowledged that there is still some way to go in this area.

As part of this year's audit we have considered the MPA/MPS response to the requirements of the Freedom of Information Act. Our work has shown that the actions being taken if implemented effectively should minimise potential problems with compliance with the legislative requirements.

There have been no legal issues raised with us by local government electors that have required action from us this year. However, the Treasurer and Clerk have consulted us on the legal implications of a number of matters, including disposals of property undertaken in recent years and new ones proposed. The actions now being taken should ensure that the problems identified are addressed. For our part, we will continue to monitor developments.

Performance management

We report in this section, the results of our performance audit work under the following headings:

- Data quality
- Activity based costing
- Use of resources
- Best Value
- Performance indicators

Data quality

Our review of compliance with the National Crime Recording Standard concluded that an

overall assessment of an amber traffic light was appropriate. Significant improvement is still needed to achieve a green traffic light score.

Nationally all Audit Commission police auditors have undertaken work this year to assess compliance with the NCRS. The NCRS requires the adoption of a consistent approach to crime recording.

Our review was undertaken using the methodology developed in 2002 by the Police Standards Unit. This uses an approach drawn directly from that proposed by ACPO at the launch of NCRS, which in itself was based on the existing HMIC inspection module for crime recording.

The review has provided an assessment, using traffic lights, of the implementation of NCRS at each BCU in the MPS. In overall terms the traffic lights represent the following assessments:

- green: a good level of performance has been achieved, and no further action is required other than to maintain performance
- amber: moderate performance, but further work needed in key areas to move to a green assessment
- red: some serious problems to be resolved.

The model for producing these assessments, which was agreed with PSU, used a weighting system to arrive at our overall assessment. The review considered the management arrangements in place and also included two specific investigations relating to crime records.

On the basis of the results of the audit, an overall assessment of 'Amber' has been made for the MPA/MPS, for the following reasons:

- Crime records: there are elements of good performance, but we also found that the approach adopted to categories and evidence crime records did not consistently meet NCRS and Home Office rules. In addition, there is disparity in the results between BCUs, with some achieving impressive results while others demonstrate quite serious shortcomings. Performance in recording of some types of crime is also better than on others. In overall terms, 16 out of 33 BCUs got a red traffic light rating.
- Management arrangements: the arrangements are generally satisfactory, although some areas for further

improvement have been identified (e.g. not all crime policies were NCRS-compliant).

It should be noted that within the results described above the MPS performed impressively in classifying types of crime. The weaknesses we found related to inconsistent decisions or evidence on whether an incident was a crime or not.

The newly appointed Data Registrar for the MPS has agreed a comprehensive action plan which addresses the recommendations made in our report. We will monitor progress against the action plan at next years' audit when we will also be undertaking risk-based work on crime records and detection rates.

Activity based costing

Our review of plans to implement activity based costing concluded that an overall assessment of green was appropriate.

The National Policing Plan made it clear that all authorities and forces are expected to implement Activity Based Costing (ABC) in 2003/2004. Plans to implement ABC were submitted by each police force to the Home Office in May 2003 and auditors were asked to review those plans against Home Office Guidance.

Our work considered whether:

- arrangements for collecting data were sound
- appropriate data sources had been identified
- the sampling programme proposed would provide a reasonable and representative allocation of costs.

Having considered the above, we concluded that the MPA/MPS plan was compliant and consistent with the national guidance and we gave a green traffic light rating.

Police Forces are expected to use sample data from all of their OCUs to demonstrate compliance with the ABC guidelines. However, the MPS, through a special dispensation from the Home Office, is currently only sampling data from 8 out of its 33 BCUs. We are not satisfied that this approach would necessarily produce robust management information and have recommended that over time the sampling is broadened to make it more representative.

Use of resources

We have undertaken other work in areas that represent audit risks to the operational success of the MPA/MPS. This has identified good practice, as well as opportunities, for improvement. Our follow up work on previous audit recommendations has shown some progress against agreed action plans.

The key messages from our work are summarised in the following exhibit. We have again identified areas of good practice and areas where the infrastructure requires strengthening.

EXHIBIT 2

Key findings from our work are outlined below

Service reviewed/key findings	Further action
<p>Corporate Planning</p> <p>Building on our previous work in this area we have undertaken a joint exercise this year with Internal Audit. We have focused on the overall management arrangements in place.</p>	<p>There are three key themes emerging from our work, namely the need:</p> <ul style="list-style-type: none"> • for robust timetabling to ensure that all objectives are achievable • to ensure joined-up working across all the planning initiatives taking place across the MPS • to provide better feedback to consultees on how their input has been reflected in planning.
<p>Partnerships</p> <p>It was agreed during the scoping of this work that it would be most useful if we could focus on assisting the MPS with plans to develop a methodology for assessing the success of its Crime and Disorder Partnerships.</p>	<p>Our findings have been presented to the MPS. We have made a number of suggestions for a methodology, drawing on good practice we have identified from elsewhere. The key challenge for the MPS will be to secure agreement to the methodology it proposes from the other members of the Partnerships. We will continue to assist as appropriate.</p>

<p>IT management arrangements</p> <p>The focus of this work was on the approach adopted to the re-letting of existing third party ICT service contracts and the implementation of the Project Lifecycle methodology.</p>	<p>Further development of a procurement risk register (and mitigating actions) in relation to the ICT resourcing strategy would help focus future work on ICT arrangements.</p> <p>In addition to this key performance indicators need to be developed and monitored to support an assessment of the extent to which the Project Lifecycle methodology has been successfully implemented.</p>	<p>Inspection and review activity</p> <p>In previous audits we have been made aware of a perception within the MPS that it is subject to too much scrutiny. Analysis shows that much of this is attributable to internal review teams and a collective failure to share plans of review activity.</p>	<p>The MPS has established a forum intended to facilitate the sharing and co-ordination of plans among the various review bodies involved, both internal and external.</p> <p>While this is a positive step forward, there is still some way to go before the group achieves its objectives. It needs clear terms of reference, a plan of work and to ensure appropriate attendance if it is to be effective.</p>
<p>Use of Consultants</p> <p>Our work considered the arrangements in place to manage consultants. We found it was difficult to obtain information on the extent to which consultants were used across the MPS. We made recommendations in area where there was scope to strengthen controls.</p>	<p>A comprehensive action plan has been agreed that includes measures to:</p> <ul style="list-style-type: none"> • set up registers of work done • strengthen guidance on drafting business cases in advance of work being awarded • ensure that the outcome of all consultancy work is assessed. 	<p>Heathrow Income</p> <p>Earlier this year we undertook some work to assess the agreement between Heathrow Airport Limited and the MPS. Our objective was to assess whether the criteria used for recovering costs were appropriate.</p>	<p>We found that the rationale behind the cost allocations used is robust.</p> <p>In addition, wherever possible attempts are made to recover actual costs, based on the numbers of staff used.</p>
<p>Information Governance</p> <p>New information governance developments require more transparency and openness in handling information whilst safeguarding personal privacy and making best use of available information. The MPS has set up a new Information Management team to address these developments. Our work has made a number of recommendations to assist.</p>	<p>It is clear that individuals in the MPS recognise the importance of information, and the need to maintain the appropriate confidentiality, availability and integrity of the very large quantities of information handled.</p> <p>However, there is a lack of overall coordination and monitoring of compliance with policies is patchy. The Information Management Team now need to build an infrastructure to allow them to manage, monitor and improve the level of Information Governance in the MPS.</p>	<p>We have followed up progress against a number of our past recommendations this year. We found that good progress has been made against our earlier recommendations on early retirements. Limited progress has been made against our findings on the estates management strategy. This is largely a result of internal reorganisation and the need to address a number of legacy issues.</p> <p>To support HMIC's assessment of the MPA's Efficiency Plan we reviewed the outturn cashable savings that the Authority had identified as efficiency gains in the 2002/2003 Plan. We fed back our findings to the HMIC, who subsequently certified that the Authority had achieved its efficiency target for the year.</p> <p>A member of our staff has been seconded to the MPS this year to support the development of change initiatives. We understand that through this secondment, the MPS has made progress in improving its management information report systems. In addition, one of our trainee auditors has this year undertaken a CIPFA project which</p>	

considered costing and pricing issues at the MPS dog training establishment at Keston. The report, provided at no cost to the MPA/MPS, has made a number of recommendations to strengthen the systems used.

Best Value

Although the 2003/2004 Best Value Performance Plan (BVPP) was a useful document in setting out the MPA's improvement priorities, some of the Best Value Performance Indicators (BVPIs) within it did not comply with statutory requirements, thereby requiring us to qualify our opinion on it.

The 2003/2004 BVPP was a well presented and useful document. The BVPP was substantially compliant with legislation. There were however some problems with its publication, for instance the advertised website address did not initially work. Furthermore, the requirement to publish outturn BVPIs for the year in question after they have been compiled was not met. As a result of these problems and those referred to below, the statutory audit report issued on 22 December 2003 was qualified. Action needs to be taken to strengthen lines of responsibility and accountability to ensure these issues do not recur next year.

Performance indicators

Our work found problems with a number of the BVPIs submitted for audit.

As in previous years we were required to audit and certify the accuracy of the 20 Best Value performance indicators (BVPIs) for 2002/2003. Despite the efforts of some MPS staff in improving the quality of the material submitted for audit we had to report reservations about 7 of them, either because the MPS could not produce the BVPI in question or was unable to satisfy us on its accuracy. 3 of these 7 were qualified as a result of our earlier work on the NCRS Data Quality. A further 2 of the BVPIs submitted for audit were amended as the result of our audit work.

The MPA/MPS now need to strengthen co-ordination and quality assurance processes to improve the quality of BVPIs and supporting documentation submitted for future audits. Such improvements would also lead to better information being available for management purposes.

Future audit work

Our audit programme for 2003/2004 is included in the Audit Plan 2002-2004 which was issued in January 2003. The key areas of audit work to be completed in 2003/2004 are:

- C3i project
- Sickness absence
- Implementing efficiency reviews
- Ethical Framework.

We will discuss the timetable for planning the 2004/05 audit with officers in early 2004.

We will continue to liaise with HMIC to ensure that our programmes of work are complementary. We have already provided input to the Baseline Assessment they are currently undertaking at the MPS. In addition, during 2004, the MPA will be subject to an Initial Performance Assessment as it is part of the GLA family. This work will take account of self assessment exercises and will report towards the end of the year.

Closing remarks

This Letter has been discussed and agreed with the Clerk, Treasurer and the MPS Senior Management Team. It was presented to the Audit Panel on 1 December 2003 and will be provided to all Members.

I would like to take this opportunity to express my appreciation for the assistance and co-operation provided during the course of the audit. Our aim is to deliver a high standard of audit which makes a positive and practical contribution which supports the MPA's own agenda. We recognise the value of your co-operation and support.

Kash Pandya
District Auditor
22 December 2003

Reports issued during the 2002/2003 audit

Audit plan	January 2003
Efficiency Gains letter to HMIC	March 2003
Heathrow Income	May 2003
NCRS Data Quality	June 2003
Follow up of previous work	June 2003
Activity Based Costing	July 2003
Use of Consultants	July 2003
Financial Systems	August 2003
Financial Aspects of Corporate Governance	August 2003
Partnerships	September 2003
Information Governance	October 2003
IT Management Arrangements	December 2003
Corporate Planning	December 2003
Best Value Performance Plan	December 2003
Final Accounts Opinion	December 2003

Status of our Annual Audit Letter

Our Annual Audit Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Annual Audit Letters are prepared by appointed auditors and addressed to Members and officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Director or officer in their individual capacity, or to any third party.

Auditor's Report to the Metropolitan Police Authority on its Best Value Performance Plan for the year 2003/2004

Certificate

I certify that I have audited the Metropolitan Police Authority's best value performance plan in accordance with section 7 of the Local Government Act 1999 and the Audit Commission's Code of Audit Practice. I also had regard to supplementary guidance issued by the Audit Commission.

Respective Responsibilities of the Authority and the Auditor

Under the Local Government Act 1999 (the Act) the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessments of its performance and position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Authority is responsible for the preparation of the plan and for the information and assessments set out within it. The Authority is also responsible for establishing appropriate performance management and internal control systems from which the information and assessments in its plan are derived. The form and content of the best value performance plan are prescribed in section 6 of the Act and statutory guidance issued by the Government.

As the Authority's auditor, I am required under section 7 of the Act to carry out an audit of the best value performance plan, to certify that I have done so, and:

- to report whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Act and statutory guidance and,
- if appropriate, recommending how the plan should be amended so as to accord with statutory requirements;
- to recommend:
 - where appropriate, procedures to be followed in relation to the plan;
 - whether the Audit Commission should carry out a best value inspection of the Authority under section 10 of the Local Government Act 1999;
 - whether the Secretary of State should give a direction under section 15 of the Local Government Act 1999.

Opinion

Basis of this opinion

For the purpose of forming my opinion whether the plan was prepared and published in accordance with the legislation and with regard to statutory guidance, I conducted my audit in accordance with the Audit Commission's Code of Audit Practice. In carrying out my audit work I also had regard to supplementary guidance issued by the Audit Commission.

I planned and performed my work so as to obtain all the information and explanations which I considered necessary in order to provide an opinion on whether the plan has been prepared and published in accordance with statutory requirements.

In giving my opinion I am not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the Authority. My work therefore comprised a review and assessment of the plan and, where appropriate, examination on a test

basis of relevant evidence, sufficient to satisfy me that the plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the plan complied with the requirements of the legislation and statutory guidance.

Included in the plan are the Authority's estimates for the year ending 31 March 2003. Actual results for the year are likely to be different from the figures reported, because events and circumstances frequently do not occur as expected, and the differences may be material. To the extent that figures included in the plan are estimates, my audit work comprised an assessment as to whether the estimates made by the Authority had been properly compiled in all significant respects on the basis of the assumptions stated by the Authority, as at the date at which the plan was prepared.

Where I have qualified my audit opinion on the plan I am required to recommend how the plan should be amended so as to comply in all significant respects with the legislation and statutory guidance.

Qualified opinion

In my opinion, the Metropolitan Police Authority has prepared and published its best value performance plan in all significant respects in accordance with section 6 of the Act and statutory guidance issued by the Government except that:

- information on performance in 2002/2003 was not included in the plan for four of the BVPIs (1b, 137, 153 and 191).
- my audit of the quality of crime recording identified material misreporting of performance in respect of three indicators for 2002/2003 (127,128 and 141).

Accordingly, I recommend that procedures and systems are strengthened to resolve these problems and improve the quality of future plans.

Recommendations on referral to the Audit Commission/ Secretary of State

I am required each year to recommend whether, on the basis of my audit work, the Audit Commission should carry out a best value inspection of the Authority or whether the Secretary of State should give a direction.

On the basis of my work:

- I do not recommend that the Audit Commission should carry out a best value inspection of the Metropolitan Police Authority under section 10 of the Local Government Act 1999;
- I do not recommend that the Secretary of State should give a direction under section 15 of the Local Government Act 1999.

Kash Pandya
District Auditor
22 December 2003