

Annual governance reports

Mayor's Office for Policing and Crime
Commissioner of Police of the Metropolis



Audit 2011/12



Contents

Key messages	3
Before I give my opinions and conclusions	6
Financial statements	7
Financial statements: internal control	13
Value for money	16
Fees	25
Appendix 1 – Draft independent auditor’s report Mayor’s Office	26
Appendix 2 – Draft independent auditor’s report Commissioner	30
Appendix 3 – Corrected misstatements	34
Appendix 4 – Mayor’s Office draft letter of representation	36
Appendix 5 – Commissioner draft letter of representation	40
Appendix 6 – Glossary	43
Appendix 7 – Action Plan	46
Appendix 8 – Action Plan	51

Key messages

This report summarises the findings from my 2011/12 audits which are substantially complete. It includes the messages arising from my audits 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.

Police Reform and Social Responsibility Act

The Police Reform and Social Responsibility Act received Royal Assent in September 2011. It established the Mayor's Office for Policing and Crime (the Mayor's Office) and the Commissioner of Police of the Metropolis (the Commissioner), the officer charged with overall governance of the Metropolitan Police Service (MPS), as two separate corporations sole from 16 January 2012. The Metropolitan Police area is the first to go through these changes, with police and crime commissioners due to replace police authorities across the 42 English police areas outside London in November 2012.

The change requires separate financial statements for the Mayor's Office and the Commissioner. Your finance staff had limited time following the 16 January transition to determine the principles to be adopted in preparing two sets of financial statements, and limited accounting guidance has been available. Your finance staff have dealt with these significant challenges well. In the absence of clear professional guidance for the accounting treatment to be adopted by local policing bodies and chief officers of police, they have worked to develop accounting policies, estimation techniques and appropriate disclosures for the two bodies. The particular treatments are dependent upon the specific allocation of responsibilities between the two bodies. The 2011 Act allows significant flexibility in local arrangements so the treatments adopted should not be seen as a blueprint for the rest of the country.

There are some areas where arrangements still need to be strengthened. In particular, as separate corporations sole, the Mayor's Office and the Commissioner urgently need to finalise their governance frameworks, particularly the financial regulations and standing orders which underpin the locally agreed accounting principles between each other. Before issuing my opinion, I asked that the Mayor's Office and the Commissioner confirm in their respective management letters of representation that the relationship between the corporations sole described in the draft financial regulations accurately reflects the common understanding of the two bodies and the way of working of the two bodies in practice for the period to 31 March 2012.

The Mayor's Office and Commissioner are addressing the significant strategic, financial and operational challenges facing the Metropolitan Police both now and in the medium term. The two corporations face a huge challenge in meeting the expectations for a more visible and responsive policing service for London with reduced resources. Whilst they are separate bodies, their success is intertwined. To succeed they must dovetail their governance arrangements and strategic and operational plans so that they can work seamlessly to deliver a challenging agenda.

Other challenges

Alongside the establishment of the new arrangements, the Mayor's Office, Commissioner and MPS have responded to significant challenges over the last twelve months including:

- policing the disturbances in London in August 2011;
- planning for and successfully policing the Olympic and Paralympic Games;
- managing significant change programmes alongside changes in senior appointments to both MPS Management Board and the MOPAC; and
- responding to considerable media scrutiny arising from the Leveson Inquiry and the reviews into ethical conduct in the police by Her Majesty's Inspectorate of Constabulary and Elizabeth Filkin.

Financial statements and internal control

I expect to issue unqualified audit opinions on the financial statements of the Mayor's Office for Policing and Crime (the Mayor's Office) and the Commissioner of Police of the Metropolis (the Commissioner) by 24 September 2012.

I identified:

- a small number of misstatements in the financial statements of the Mayors' Office and in the Commissioner's financial statements which management has agreed to correct; and
- scope for improvement in the oversight and scrutiny of severance payments.

Value for money

I expect to conclude that both the Mayor's Office and the Commissioner have made proper arrangements to secure economy, efficiency and effectiveness in their use of resources. The bodies have worked together to deliver substantial short-term savings. The challenge is establishing governance arrangements and financial operational plans which dovetail, allowing the attainment of policing priorities within available financial resources over the longer term.

Certificate

I expect to complete all outstanding audit work by 24 September 2012. As there are no outstanding objections or queries from local electors I plan to issue my certificates, formally closing the 2011/12 audits, on 24 September 2012.

Before I give my opinions and conclusions

My report includes only matters of governance interest that have come to my attention in performing my audits. I have not designed my audits to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

During the year the Audit Commission undertook non-audit work commissioned by the Metropolitan Police Authority (MPA) delivering eleven fraud awareness workshops for senior police officers and MPS managers. The total fee for this work was £31,500. I am satisfied that the scope, nature and scale of the work did not give rise to a threat to independence requiring safeguards.

I ask the Mayor's Office and the Commissioner to:

- take note of the corrected misstatements identified by my audit and included in this report (appendix 3);
- approve their respective letters of representation (appendices 4 and 5 respectively) before I issue my opinions and conclusions; and
- agree your responses to the proposed action plans (appendices 7 and 8 respectively).

Financial statements

The financial statements and annual governance statements are important means by which the Mayor's Office and the Commissioner account for their respective stewardship of public funds.

Opinions on the financial statements

Subject to satisfactory clearance of my audit closing procedures, I plan to issue unqualified opinions on the financial statements of the Mayor's Office, (including the group statements) and the Commissioner. Appendices 1 and 2 contain copies of my draft audit reports.

Accounting practices

I consider the accounting practices, policies, and estimates applied in the preparation of both sets of financial statements. Overall, I have formed the view that in all material respects both sets of statements comply with the proper practices contained in the IFRS-based CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The establishment of new organisations part way through the financial year has presented significant challenges for your finance officers which they have addressed in preparing your financial statements, requiring the preparation of separate statements for the Mayor's Office and for the Commissioner for the first time. In the following table I have set out the key accounting practices I considered in auditing these financial statements, my findings and where appropriate, recommendations for each.

Table 1: Accounting practices

Risk	Mayor's Office	Commissioner	Finding
<p>Recognition of assets, liabilities, income and expenditure in the accounts of the Mayor's Office and Commissioner</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Preparation of two sets of financial statements with limited professional accounting guidance has been a significant achievement. Officers have needed to work from first principles to design the content of the statements which complies with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and reflects the new relationships between the Mayor's Office and Commissioner established under the Police Reform and Social Responsibility Act 2011.</p> <p>In designing the content of the financial statements, your officers have been required to take decisions over which costs fall within which set of statements and how assets and liabilities were recognised in both sets of financial statements.</p> <p>This task has been carried out in advance of the final version of the Mayor's Office and Commissioner's financial regulations being approved and on the assumption that they present a fair reflection of the relationship between the two corporations sole in the period to 31 March 2012. The financial regulations not only underpin the preparation of the financial statements. They also are a key element of the governance arrangements of both entities and there is a need for urgency in agreeing them. In the absence of a written agreement of the relationship for this period, I am seeking written representations from management of both bodies that the draft financial regulations are a fair reflection of the relationship in practice in that period.</p> <p>Going forward, finance officers will also need to monitor and consider the accounting impact of any changes in the local agreements between the Mayor's Office and the Commissioner, along with any new accounting guidance issued by CIPFA or other accounting bodies.</p>
<p>Application of 'merger accounting' and allocation of expenditure</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>The two corporations sole were established part way through a financial year from the former MPS. Proper practices required each to produce accounts as if they had been in existence throughout the financial year.</p> <p>Expenditure was not coded to the two bodies throughout the year and both direct and indirect costs had to be identified to them for the whole year as part of the preparation of</p>

Risk	Mayor's Office	Commissioner	Finding
			<p>financial statements. There was therefore an exercise of judgement for the Mayor's Office and the Commissioner to apply, in particular in respect of indirect costs. As part of my audit work I have reviewed the reasonableness of the approach adopted.</p>
<p>Presentation and disclosure of matters relating only to the reporting entity</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>To prepare two sets of financial statements, finance officers have first needed to disentangle the activities of the Mayor's Office and the Commissioner to determine which set of financial statements accounting information should be reported in. Approaching this for the first time has presented finance officers with a challenge. Professional standards and legislation require that financial statements restrict information presented and disclosed to that required by professional standards or legislation. In essence this means that information must relate to the reporting entity and not to another entity.</p> <p>The draft financial statements for the Mayor's Office included the Police Pension Fund whereas the 2011 Act makes the administration of the Police Pension Fund the responsibility of the Commissioner. The draft financial statements for the Commissioner included disclosures in respect of the wider 'group' which are properly reflected in the Mayor's Office group accounts. I reported these matters to management who agreed to adjust the Statements accordingly. Details are provided in Appendix 4.</p>
<p>NOMS debt</p>	<input checked="" type="checkbox"/>		<p>In my 2010/11 Annual Governance Report I recommended that the then MPA Treasurer review the collectability of £2.2 million of overdue debt with the National Offenders Management Service (NOMS) with the aim of either collecting the amount due or writing it off. This amount is reflected in the financial statements of the Mayor's Office. Finance officers have continued to chase this debt throughout 2011/12 but at the date of my audit it had not been collected. The balance has existed since 2000 relating to borrowing undertaken by the MPS on behalf of the Inner London Probation Service, which ceased to exist in 2001. Its functions were subsequently transferred to NOMS. I am satisfied the amount involved is not material to the Mayor's Office financial statements overall. However, given the time since the MPS raised this debt, and the non-collection up to the date of my audit, I am repeating the recommendation made in my 2010/11 Annual Governance Report.</p>

Recommendation	Mayor's Office	Commissioner	
	☑	☑	R1 Review the accounting treatments adopted in respect of the relationship between the Mayor's Office and the Commissioner in light of any professional accounting guidance issued.
	☑		R2 Review the collectability of £2.2 million of overdue debt with the National Offenders Management Service with the aim of either collecting the amount due or writing it off.
	☑	☑	R3 Agree and finalise financial regulations which underpin preparation of the financial statements and reflect the governance arrangements between the Mayor's Office and the Commissioner.

Significant risks

My audit plan identified one other significant risk that I considered in the course of my audit.

Table 2: **Audit risk and findings**

Risk area highlighted in my 2011/12 Audit Plan	Mayor's Office	Commissioner	Finding
<p>That costs and liabilities in respect of claims made under the Riot (Damages) Act 1886 are not accounted for in line with relevant financial reporting standards.</p> <p>The costs arising from claims received under the Riot (Damages) Act 1886 following the Summer 2011 disturbances are highly material to the 2011/12 accounts, with the total cost estimated to exceed £200 million. Officers have assessed claims and requested further evidence from claimants where they have deemed this necessary to verify the claim and the amount of compensation payable. Given the complexity and size of some claims officers do not expect to have made all payments before the end of the financial year. Officers will need to review the position at 31 March 2012 and account for outstanding liabilities in line with accounting standard IAS 37 (Provisions). The standard requires that liabilities are provided for as expenditure in the year where:</p> <ul style="list-style-type: none"> ■ the obligation arises as a result of a past event; ■ a reliable estimate of the liability can be made; and ■ the transfer of economic benefit from the reporting entity to the third party is probable. 	<input checked="" type="checkbox"/>		<p>Based on my audit testing and enquiries I have not identified a misstatement in respect of Riot Damages claims. My work included:</p> <ul style="list-style-type: none"> ■ documenting the system used by MPS Directorate of Legal Services to capture and assess claims, including the use of professional loss adjusters where necessary; ■ re-performing and relying on the detailed audit testing of claims performed by the Directorate of Audit, Risk and Assurance; ■ sample testing the amounts accrued for (£3 million) and provided for (£90 million) in the financial statements against the requirements of IAS 37 (Provisions) and testing a further sample of claims rejected by Legal Services as not covered by the Act; and ■ reviewing management's significant judgements and the legal advice received in respect of the Enfield Warehouse and business interruption claims, being the material claims not provided for in the financial statements.

Quality of the financial statements

The Mayor's Office and Commissioner's finance officers have prepared separate financial statements which are of good quality and are supported by good working papers. This is a significant achievement given the short timescale that has elapsed since and the lack of specific guidance on accounting for the new policing bodies. Officers have been available throughout the audit and have responded to queries within agreed timescales.

Corrected misstatements

My audit identified two misstatements in the Mayor's Office financial statements and one misstatement in the Commissioner's financial statements which I consider material, which I have included at Appendix 3. Management has agreed to make amendments to correct these misstatements, none of which affect the overall reported financial performance or financial reserves available to the Group.

Other matters

I am required to communicate to you significant findings from my audits and other matters that are significant to your oversight of management's financial reporting process including:

- qualitative aspects of your accounting practices including the improper application of accounting policies, accounting estimates, or non-compliance with the requirements of the IFRS-based CIPFA/LASAAC Code;
- matters specifically required by other auditing standards to be communicated to those charged with governance, including issues about fraud, compliance with laws and regulations, external confirmations and related party transactions; and
- any other audit matters of governance interest.

I identified no matters to report to you in respect of the above.

Group instructions by the auditor of the Greater London Authority (GLA)

The accounts of the Mayor's Office are consolidated into the group accounts prepared by the GLA. The auditor of the GLA has issued group instructions asking me to report on my audit of the Mayor's Office for the purpose of their audit of the GLA. I anticipate reporting to them at the date when I give my opinion on the Mayor's Office accounts. I have no matters to bring to your attention.

Whole of Government Accounts (WGA) submission

The Mayor's Office is required to submit a consolidation pack to the Department of Communities and Local Government to support the preparation of the Whole of Government Accounts. I am required to undertake agreed procedures on the consolidation pack and report on the pack. I expect to complete my work on the consolidation pack on the 24 September 2012 and report my audit results to the Comptroller and Auditor-General. I will report any significant matters arising from this work to the Mayor's Office Chief Financial Officer. At this stage in the work I have no matters to report.

Financial statements: internal control

I have not identified any significant weaknesses in internal control that could lead to a material misstatement in either the Mayor's Office's or the Commissioner's financial statements but have identified other areas where internal controls could be strengthened.

It is the responsibility of the Mayor's Office and the Commissioner both to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Mayor's Office and the Commissioner have put adequate arrangements in place to satisfy themselves that the systems of internal financial control are both adequate and effective in practice. I have tested the controls of the Mayor's Office and the Commissioner only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. In the following table I have set out my findings in three areas of your system of internal control.

Table 3: **Internal controls**

Area	Mayor's Office	Commissioner	Finding
Severance payments	<input checked="" type="checkbox"/>		<p>I have reviewed the severance payments made to the former MPS Commissioner, the former Assistant Commissioner Specialist Operations and the former MPS Director of HR and Director of Public Affairs made during 2011/12. I am of the view that management sought and acted on advice from appropriately skilled internal and external lawyers, seeking to minimise the costs falling on the public purse in agreeing these payments.</p> <p>However, I found weaknesses in the documentation and record-keeping by management of the key decisions and actions taken in agreeing severance terms. In particular, contemporaneous records of discussions between management and</p>

Area	Mayor's Office	Commissioner	Finding
			<p>legal representatives were not maintained consistently. Had they been this would have provided a much stronger evidential trail to support the decisions reached.</p> <p>Furthermore, there is no record that MPA members were formally consulted on the proposed payments to the former Commissioner, Assistant Commissioner and Director of HR prior to these payments being approved, a requirement of the MPA standing orders in place at the date these payments were made. Whilst I have not formed the view that any of the payments made were beyond the powers of the MPA, Mayor's Office or Commissioner, I believe that improved processes would have helped to ensure that the decisions were robust and were seen to be robust.</p> <p>It is likely that circumstances requiring severance payments to senior police officers and civilian staff will continue to arise periodically. The Mayor's Office and Commissioner need to be prepared for severance cases when they arise. Time is frequently of the essence and it is important that comprehensive arrangements for agreeing payments are established and communicated in advance.</p>
Annual Report of the Director of Audit Risk and Assurance (DARA)	☑	☑	<p>The DARA presented her Annual Report for 2011/12 to the joint MOPAC/ MPS Audit Panel on 28 June 2012. She concluded there had been no significant change in the effectiveness of the internal control environment of the Mayor's Office and the MPS during 2011/12 and that overall the control environment is still not fully effective. In her report she noted there had been unprecedented levels of change for policing in London during the year, with the establishment of the Mayor's Office, the delivery of major change programmes by the MPS, and considerable change on the MPS Management Board.</p> <p>Given this level of change it is positive that the overall effectiveness of internal controls has been maintained since last year. However, unless controls are strengthened there are areas where the Mayor's Office and the Commissioner are exposed to financial and reputational risks. Continued focus on areas where the DARA has identified that management controls are not effective is a priority.</p>

Area	Mayor's Office	Commissioner	Finding
Covert bank accounts	<input checked="" type="checkbox"/>		<p>The Mayor's Office covert bank accounts are included in its cash balance on the Balance Sheet. I tested these balances on a sample basis to confirm they are fairly stated. My testing identified no errors but:</p> <ul style="list-style-type: none"> ■ at the date of my audit, finance officers had not yet reconciled 13% of its covert bank accounts to 31 March 2012 bank statements; and ■ as a result, finance officers had also not reconciled the balances on its covert bank accounts to the balances reflected in its main accounting system and therefore its financial statements. <p>However, there has been considerable improvement over the previous year: officers expect to complete all 31 March 2012 covert reconciliations by 30 September 2012, six months earlier than for the previous year.</p>

Recommendation	Mayor's Office	Commissioner	
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>R4 Establish a joint Mayor's Office / Commissioner procedure clarifying arrangements for the scrutiny and approval of severance payments to senior officers covering:</p> <ul style="list-style-type: none"> – who must be consulted; – what advice must be obtained; – in what circumstances delegated authority can be used; and – the minimum documentation standards to be observed.
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>R5 Develop an action plan for implementing improvements to the system of internal control where testing by the Directorate of Audit Risk and Assurance has identified existing controls are not effective.</p>

Annual Governance Statements

I have reviewed the Annual Governance Statements for the Mayor's Office and the Commissioner and in my view:

- they comply with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- they are consistent with other information that I am aware of from my audit of the financial statements.

Value for money

I am of the view that the Mayor's Office for Policing and Crime and the Commissioner of Police of the Metropolis have put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

The Mayor's Office and Commissioner became separate corporations sole on 16 January 2012. As both are audited bodies, for 2011/12 for the first time I have to give separate conclusions on the arrangements of the Mayor's Office (and before it was established the Authority) and the Commissioner for securing economy, efficiency and effectiveness.

I intend to give unqualified value for money conclusions for both bodies, stating that both had proper arrangements for securing economy efficiency and effectiveness in their use of resources during 2011/12. I include my draft conclusions for the Mayor's Office at Appendix 1 and for the Commissioner at Appendix 2.

The Police Reform and Social Responsibility Act 2011 establishes clear but related responsibilities for the Mayor's Office and the Commissioner. The Mayor's Office sets policing priorities, commissions services and holds the Commissioner to account. The Commissioner has operational responsibility for delivery of policing. The inter-relationship between the Mayor's Office and the Commissioner is reinforced by the joint working, scrutiny and oversight arrangements reflected in the Policing London Business Plan and the Police and Crime Plan for London that is currently under development.

As a result:

- much of my work supports my conclusions in respect of both bodies; and
- many of my recommendations can only be implemented by the two working together.

My detailed work

Below I set out:

- the significant risks to my value for money conclusion that I identified in my Audit Plan and subsequently;
- the findings of my work; and
- recommendations for the Mayor's Office, the Commissioner or both.

Table 4: Governance arrangements

Risk	Mayor's Office	Commissioner	Finding
<p>In my Audit Plan I stated there was a risk that the new governance arrangements for policing, developed in London earlier than the rest of the country, would not be fully effective in holding the Commissioner to account and ensuring value for money is delivered.</p>	<input checked="" type="checkbox"/>		<p>The Mayor's Office established new governance arrangements in a short period of time to comply with the requirements of the Police Reform and Social Responsibility Act 2011. The short timescale meant the arrangements developed and put in place during the 2011/12 year only formally established the key principles of how the new arrangements were to operate including:</p> <ul style="list-style-type: none"> ■ a transition plan for the implementation of the new governance arrangements, with risks and projects assigned to named Mayor's Office officers and regular progress reporting to MOPAC senior management; ■ a Scheme of Delegation setting out which functions and responsibilities were delegated from the Deputy Mayor to named senior officers in the Mayor's Office and the MPS including the two chief financial officers; ■ draft Mayor's Office/ MPS financial regulations setting out the financial responsibilities of both bodies under the 2011 Act and the Home Office's Financial Management Code of Practice; and ■ a joint Audit Panel providing oversight of audit, risk, governance and ethical issues for both bodies, constituted initially of members from the previous MPA Corporate Governance Committee with a formal appointment process due to complete by the end of 2012. <p>An additional element of accountability exists within the wider GLA family. The Deputy Mayor is held to account by 12 members of the Greater London Authority through its Police and Crime Committee.</p> <p>The new governance arrangements are yet to be captured in totality in a formal governance framework, the establishment of which should now be a priority for the Mayor's Office. I understand the key elements of the new governance arrangements are in practice:</p> <ul style="list-style-type: none"> ■ monthly 'challenge' meetings held in public to hold the Commissioner to account, focusing on crime performance and different thematic areas, which to date have

Risk	Mayor's Office	Commissioner	Finding
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included gangs, youth violence and victim support;

- monthly 'bilateral' meetings between the Deputy Mayor, Commissioner and relevant senior managers focusing on financial performance, operational performance, equalities and counter-terrorism;
- quarterly joint Audit Panel meetings at which both bodies are held to account in respect of audit, risk, governance and ethical matters; and
- the development of the new joint Police and Crime Plan which will be based around the key themes from the Mayor's manifesto pledge on crime.

Any new governance arrangements need to take into account:

- the increased flexibility for local structures and decision-making processes afforded by the 2011 Act; and
- the potential for responding to the election of a new Mayor or appointment of a different Deputy Mayor.

It is important that risks around potentially significant change are effectively managed by the Mayor's Office and the Commissioner to ensure that change does not result in resistance or a loss of engagement from the workforce.

I identified scope to improve the information available to the public to hold the Mayor's Office to account. The information publicly available on the Mayor's Office website includes details of all decisions reviewed and approved by the Deputy Mayor as well as background information on the Mayor's Office's role and links to the Metropolitan Police Authority legacy website. It does not currently contain detailed information on the business plan or the budget or on financial or operational performance. The papers from the 'challenge' meetings and Audit Panel meetings held to date, while designated as publicly available, are not available.

Recommendations	Mayor's Office	Commissioner
	☑	R6 Formalise the new governance arrangements in a publicly available governance framework so these can be easily understood in the Mayor's Office, the MPS and externally.
	☑	R7 Review the key information that should be publicly available (including on business plans, budgets, financial and operational performance and meetings held in public) to enable the public to hold the Mayor's Office to account and ensure this is made available promptly via the Mayor's Office website.

Table 5: The impact of Riot Damages Act claims on finances

Risk	Mayor's Office	Commissioner	Finding
In my Audit Plan I stated there was a risk that a balanced budget would not be delivered over the medium term if prompt action was not taken to identify how Riot Damages Act-related costs would be funded.	☑		The Home Office has since written to all police bodies on 27 March 2012 confirming Ministers' intention to reimburse bodies for 100% of the operational and Riot Damages Act-related costs they incurred. This additional funding is reflected in the 2011/12 financial statements and neutralises the impact of the cost of Riot Damages Act claims on the budget of the Mayor's Office.

Table 6: The delivery of major change programmes

Risk	Mayor's Office	Commissioner	Finding
<p>In my Audit Plan I stated there was a risk of not delivering a balanced budget over the medium term if there was not effective scrutiny of the significant savings attached to major change programmes.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>The Mayor's Office delivered the 2011/12 budget, reporting an overall underspend against budget of £4.5 million after planned transfers to and from earmarked reserves. The MPS had planned savings of £140 million for the year. The MPS reported it achieved these by:</p> <ul style="list-style-type: none"> ■ delivering savings of £120 million through its major change programmes; and ■ securing £20 million of net budget underspends. <p>While there has been some slippage in delivering the major change programmes, substitute schemes have been implemented to ensure the overall performance against budget is not compromised.</p> <p>Shared service opportunities were identified by the MPS and options shared with the Metropolitan Police Authority for scrutiny as part of 2011/12 business planning. Individual programme boards, including Mayor's Office representatives, have overseen the delivery of their respective change programmes during the year which has helped ensure the delivery of the majority of planned savings. However, there is scope to strengthen the role of the Mayor's Office and the MPS Management Board in providing corporate oversight and challenge of change programmes. The June 2012 report on Change Management and Control by the DARA concluded the control framework for change programmes was not adequate to mitigate key risks and was not consistently applied during 2011/12. The review found appropriate governance arrangements in place for individual programmes but no corporate approach underpinning the planning and delivery of major change programmes, including managing the risks presented by interdependencies between change programmes.</p> <p>Management has agreed these findings. The MPS is responding principally through the establishment of the new 'MetChange' programme. This aims to deliver the 'One Met model' by looking at how policing and support functions are delivered in London from 'end to end' and to bring oversight of all significant MPS change activity together under the MetChange programme team, overseen by MPS Management Board and</p>

Risk	Mayor's Office	Commissioner	Finding
			the Mayor's Office. The scale of the required savings and the lead time to securing savings identified from MetChange, makes effective oversight of implementation imperative.

Table 7: **Collaboration, shared services and partnership working**

Risk	Mayor's Office	Commissioner	Finding
In my Audit Plan I stated there was a risk that opportunities to improve value for money through shared service opportunities and collaboration were not identified and acted on.	☑	☑	<p>Collaboration</p> <p>The disturbances across London in August 2011 resulted in unprecedented collaboration with other forces to deliver the officer strength necessary to restore public order. The disturbances provided a very significant test of the MPS's capacity but also demonstrated that arrangements for securing support from other forces were effective in deploying officers from other forces to meet the significant police officer requirement. The MPS has reviewed its response to the summer disturbances to strengthen its plans for responding to similar threats, should they arise again.</p> <p>Shared services</p> <p>The MPS reports that it delivered financial savings through internal shared service arrangements of £81 million during 2011/12, the largest schemes relating to ICT projects (£11.5 million), catering (£5 million) and custody facilities (£4.7 million). It plans to make further shared service savings of £110 million in 2012/13 and £122 million in 2013/14.</p> <p>While the savings reported to date are significant, MPS management acknowledges there is further work to do to maximise internal shared service opportunities within the MPS before focusing significant effort on opportunities to share services with other bodies. This is being progressed internally by the MetChange programme team which is tasked with reviewing how services in the MPS can be better structured and</p>

Risk	Mayor's Office	Commissioner	Finding
			<p>grouped to deliver efficiencies and service improvement. It is important that work to maximise the efficiencies that can be generated internally continues. This would allow the Mayor's Office and the MPS increasingly to explore external sharing opportunities to assess whether these can be used to contribute to service improvement and increased efficiency.</p> <p>Establishing new governance arrangements following the creation of the Mayor's Office required considerable management effort by both bodies. While the Mayor's Office scrutinised the budget and business plan appropriately during 2011/12, there was limited joint-working on external shared service opportunities in 2011/12. However, going forward there is scope for the Mayor's Office to play an increased role in leading and challenging the MPS to identify external shared service opportunities.</p> <p>Partnership working</p> <p>The MPS has well-established governance arrangements for its local Community Safety Partnerships which exist at borough level with key partners including the local authority, health providers, probation and the fire brigade. The MPS Corporate Development Department has developed an MPS partnership framework, which provides guidance and support to managers across the business on how to manage their existing partnership arrangements, including finances and risks, and on entering and exiting partnerships. It plays a role in the strategic coordination and governance of key pan-London partnerships including Multi-Agency Safeguarding Hubs, Operation Trident, tackling gangs and youth violence, and Integrated Offender Management teams and collects and reports financial and governance data on partnerships to support managers across the business in monitoring their partnerships effectively.</p> <p>There remains scope to strengthen arrangements for corporate oversight of significant partnership arrangements. Information on the governance arrangements, performance and financial impact of significant partnerships was not reported to MPS Management Board or the Mayor's Office during 2011/12.</p>

Recommendations	Mayor's Office	Commissioner	
	☑		R8 Play an increased role in leading and challenging the MPS to identify external shared service opportunities.
		☑	R9 Further develop the corporate framework for monitoring the performance, governance arrangements and financial implications of significant partnerships including periodic reporting of these areas to the MPS Management Board and the Mayor's Office.

Table 8: Identifying and delivering medium term savings

Risk	Mayor's Office	Commissioner	Finding
The budget gap faced is substantial. At present this stands at £148 million for 2013/14 increasing by a further £84.5 million in 2014/15.	☑	☑	<p>Efforts to date have been focused on balancing the budget for 2012/13 with limited detailed work to identify savings over the longer term. A shift from short-term to medium-term financial planning is needed. Corporate savings options were considered by the Mayor's Office and MPS Management Board in July 2012, leading to savings plans to support the budget submission in November 2012.</p> <p>A key priority in closing the budget gap should be agreeing the level of police officer numbers that can be sustained within current financial resources. The Policing London Business Plan 2012 – 15 states the intention to maintain police officer numbers at 31,957 over this three year period. However, as police officer costs currently account for just under 60% of the total budget, it is unlikely the budget gap in 2013/14 and 2014/15 can be bridged without reducing officer strength.</p> <p>If target strength is set too high there is a risk this damages the support and other functions surrounding the front line that also have a key role to play in maintaining front-line capacity.</p>

Recommendations

Mayor's Office

Commissioner



R10 The Mayor's Office and Commissioner should work together to ensure that governance arrangements and strategic and operational plans dovetail, aligning the Policing Priorities in London with available resources.

Fees

I reported my planned audit fees in the 2011/12 Audit Plan.

I will complete my audits within the planned fees.

Table 9: **Audit Fees**

	Planned 2011/12 fee - Mayor's Office	Planned 2011/12 fee Commissioner	Total planned fee 2011/12 (£)	Actual fee 2011/12 (£)
Audit	£286,000	£241,000	£527,000	£527,000
Grant claims and returns	nil	nil	nil	nil
Non-audit work *	£15,750	£15,750	£31,500	£31,500
Total	£301,750	£256,750	£558,500	£558,500

* During the year the Audit Commission undertook non-audit work commissioned by the MPA by delivering eleven fraud awareness workshops for senior police officers and MPS managers.

Appendix 1 – Draft independent auditor’s report Mayor’s Office

INDEPENDENT AUDITOR’S REPORT TO THE MAYOR’S OFFICE FOR POLICING AND CRIME

Opinion on the financial statements

I have audited the financial statements of the Mayor’s Office for Policing and Crime (the Mayor’s Office) for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Single Entity and Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, and the related notes. The financial reporting framework applied to their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the Mayor’s Office in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of responsibilities for the accounts, the Chief Financial Officer is responsible for the preparation of the Mayor’s Office Financial Statements, which includes the group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view.

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Mayor's Office and its Group's circumstances, and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of the Mayor's Office as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

Respective responsibilities of the Mayor's Office and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Mayor's Office has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Mayor's Office has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Mayor's Office's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Mayor's Office has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Mayor's Office put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Mayor's Office had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, the Mayor's Office for Policing and Crime put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of the Mayor's Office for Policing and Crime in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Karen McConnell
District Auditor

First floor, Millbank Tower
Millbank
London
SW1P 4HQ

[INSERT DATE]

Appendix 2 – Draft independent auditor’s report Commissioner

INDEPENDENT AUDITOR’S REPORT TO THE COMMISSIONER OF POLICE OF THE METROPOLIS

Opinion on the Authority and Pension Fund accounting statements

I have audited the financial statements and the police pension fund financial statements of the Commissioner of Police of the Metropolis (the Commissioner) for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Operating Cost Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The Police Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the Commissioner in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of responsibilities for the accounts, the Chief Financial Officer is responsible for the preparation of the Commissioner’s financial statements, which includes the Police Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commissioner’s financial statements and the Pension Fund’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies

with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of the Commissioner of Police of the Metropolis as at 31 March 2012 and of the Commissioner's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Police Pension Fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

Respective responsibilities of the Commissioner and the auditor

The Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Metropolitan Police Service's use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in the Metropolitan Police Service's use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in the Metropolitan Police Service's use of resources. I am not required to consider, nor have I considered, whether all aspects of the Commissioner's arrangements for securing economy, efficiency and effectiveness in the Metropolitan Police Service's use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Commissioner has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in the Metropolitan Police Service's use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in the Metropolitan Police Service's use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, the Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in the

Metropolitan Police Service's use of resources for the year ended 31 March 2012.

Certificate

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

Karen McConnell
District Auditor

First floor, Millbank Tower
Millbank
London
SW1P 4HQ

[INSERT DATE]

Appendix 3 – Corrected misstatements

Mayor's Office

I identified the following misstatements in the financial statements which management have amended for in the revised financial statements.

Item of account	Nature of error	Statement of comprehensive income and expenditure		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Cash Flow Statement and supporting notes 34.1, 34.2, 34.3 and 34.4	Capital Grant income of £66 million was incorrectly classified within the cash flow statement and supporting notes. Reclassify from adjustments for non-cash movements (note 34.1) to adjustments for investing or financing activities (note 34.2) and reclassify from investing activities (note 34.4) to financing activities (note 34.3)	N/A – presentational amendment only	N/A – presentational amendment only	N/A – presentational amendment only	N/A – presentational amendment only
Note 18.12 Future capital commitments	Removal of £43 million historic capital commitments and data cleansing.	N/A – presentational amendment only	N/A – presentational amendment only	N/A – presentational amendment only	N/A – presentational amendment only

Commissioner

I identified the following misstatement in the financial statements which management have amended for in the revised financial statements.

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Police Pension Fund Top-up Grant	Police Pension Fund Top-up Grant: £209 million removed from the Commissioners and the Mayor's Office financial statements and posted direct to the Police Pension Fund statements.	N/A – presentational amendment only	N/A – presentational amendment only	N/A – presentational amendment only	N/A – presentational amendment only

Appendix 4 – Mayor’s Office draft letter of representation

Mayor’s Office for Policing and Crime - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of the Mayor’s Office for Policing and Crime (Mayor’s Office), the following representations given to you in connection with your audit of the financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Mayor’s Office and its group, incorporating the financial statements of the Mayor’s Office and those of the Commissioner of Police of the Metropolis (the Commissioner), for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

Supporting records

I have made available all relevant information and access to persons within the organisation for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Mayors’ Office.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

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;
- 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; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Mayors' Office has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Specific representations

Accounting for Riot Damages Act costs

I have provided to you all the significant information of which I am aware in connection with Riot Damages claims at the date of this letter.

I have reviewed the liabilities arising under the Riot Damages Act and sought appropriate legal advice in respect of these liabilities. I am satisfied the provision made in respect of Riot Damages Act claims at 31 March 2012 continues to be sufficient to cover known liabilities up to the date of this letter.

I have received sufficient legal advice in respect of material claims not provided for and am satisfied that it is unlikely that any transfer of economic benefit will be necessary to settle these claims.

Responsibilities of the Mayor's Office and the Commission in respect of assets, liabilities, rights and obligations

The description of the responsibilities of the Mayor's Office and the Commission in respect of assets, liabilities, rights and obligations contained in the draft Standing Orders dated [date] is an accurate description of the responsibilities for the period from the establishment of the Mayor's Office and Commissioner as corporations sole to 31 March 2012.

PFI agreements

There have been no variations or amendments to the terms of either of the Authority's PFI contracts below 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.

Bank accounts

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

Signed on behalf of the Mayor's Office for Policing and Crime.

Mr Robert Atkins
Chief Financial Officer

[INSERT DATE]

Mr Stephen Greenhalgh
Deputy Mayor for Policing

[INSERT DATE]

Appendix 5 – Commissioner draft letter of representation

Commissioner of Police of the Metropolis - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of the Metropolitan Police Service, the following representations given to you in connection with your audit of the financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the organisation, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

Supporting records

I have made available all relevant information and access to persons within the Metropolitan Police Service for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Metropolitan Police Service on behalf of the Commissioner.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

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;
- 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; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Metropolitan Police Service has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the organisation's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Specific representations

Responsibilities of the Mayor's Office and the Commission in respect of assets, liabilities, rights and obligations

The description of the responsibilities of the Mayor's Office and the Commission in respect of assets, liabilities, rights and obligations contained in the draft Standing Orders dated [date] is an accurate description of the responsibilities for the period from the establishment of the Mayor's Office and Commissioner as corporations sole to 31 March 2012.

Signed on behalf of the Commissioner of Police of the Metropolis.

Mr Nick Rogers
Temporary Director of Resources

[INSERT DATE]

Commissioner Bernard Hogan-Howe
Commissioner of Police of the Metropolis

[INSERT DATE]

Appendix 6 – Glossary

Annual Audit Letter

Letter issued by the auditor after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion and conclusion.

Annual Governance Statement

The annual report on a body's systems of internal control that supports the achievement of body's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of a body and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that a body establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 7 – Action Plan

Mayor's Office

Recommendations

Recommendation 1

Review the accounting treatments adopted in respect of the relationship between the Mayor's Office and the Commissioner in light of any professional accounting guidance issued.

Responsibility	Lead Accountant - Group Finance on behalf of Deputy Chief Financial Officer MOPAC
Priority	Medium
Date	31 March 2013
Comments	Agreed: Officers are monitoring the publication of future professional guidance closely and also reviewing the accounting treatment in relation to the second period of transition.

Recommendation 2

Review the collectability of £2.2 million of overdue debt with the National Offenders Management Service with the aim of either collecting the amount due or writing it off.

Responsibility	Lead Accountant - Group Finance on behalf of Deputy Chief Financial Officer MOPAC
Priority	Low
Date	31 December 2012
Comments	Agreed: Officers are currently finalising the repayment of this overdue debt.

Recommendation 3

Agree and finalise financial regulations which underpin preparation of the financial statements and reflect the governance arrangements between the Mayor's Office and the Commissioner.

Responsibility	Deputy Chief Financial Officer- MOPAC
Priority	High
Date	31 October 2012
Comments	Agreed: The MOPAC contract and financial regulations have been drafted in consultation with the MPS and will be presented to the Audit Panel on 4 October before they are forwarded to the Deputy Mayor for Policing and Crime for approval. These regulations will underpin the MOPAC and MOPAC Group financial statements (including the financial statements of the CPM).

Recommendation 4

Establish a joint Mayor's Office / Commissioner procedure clarifying arrangements for the scrutiny and approval of severance payments to senior officers covering:

- who must be consulted;
- what advice must be obtained;
- in what circumstances delegated authority can be used; and
- the minimum documentation standards to be observed.

Responsibility	Chief Executive MOPAC
Priority	High
Date	31 December 2012
Comments	Agreed: An appropriate framework will be developed.

Recommendation 5

Develop an action plan for implementing improvements to the system of internal control where testing by the Directorate of Audit Risk and Assurance has identified existing controls are not effective.

Responsibility	Chief Financial Officer MOPAC
Priority	High
Date	31 December 2012
Comments	Agreed: MOPAC will ensure the MPS governance framework develops in line with agreed actions identified in MOPAC's Annual Governance Statement 2011/12. It will also identify inter-dependencies between MOPAC and the MPS internal control environment ensuring they are effectively managed.

Recommendation 6

Formalise the new governance arrangements in a publicly available governance framework so these can be easily understood in the Mayor's Office, the MPS and externally.

Responsibility	Chief Executive MOPAC
Priority	High
Date	31 December 2012
Comments	Agreed: MOPAC will continue to formalise the new governance arrangements in line with the agreed actions identified in MOPAC's Annual Governance Statement 2011/12 and ensure they are publically available on the MOPAC webpage.

Recommendation 7

Review the key information that should be publicly available (including on business plans, budgets, financial and operational performance and meetings held in public) to enable the public to hold the Mayor's Office to account and ensure this is made available promptly via the Mayor's Office website.

Responsibility	Chief Executive MOPAC
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Priority	High
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Date	31 December 2012
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Comments	Agreed: MOPAC officers are currently reviewing the MOPAC web pages to ensure they include all relevant information.
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Recommendation 8

Play an increased role in leading and challenging the MPS to identify external shared service opportunities.

Responsibility	Chief Executive MOPAC
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Priority	Medium
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Date	31 March 2013
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Comments	Agreed: MOPAC will continue to work with the MPS to identify external shared services opportunities where there is an appropriate business case. In respect of particular opportunities within the GLA family, the 'GLA Shared Services Board' (attended by the respective Chief Financial Officers) will continue to meet to oversee progress in this area.
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Recommendation 9

N/A

Responsibility	
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Priority	
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Date	
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Comments	Not applicable. Included in action plan to maintain numbering with equivalent Commissioner recommendations in Appendix 9 only.
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Recommendation 10

The Mayor's Office and Commissioner should work together to ensure that governance arrangements and strategic and operational plans dovetail, aligning the Policing Priorities in London with available resources.

Responsibility	Chief Executive MOPAC
Priority	High
Date	31 March 2013
Comments	Agreed: The Deputy Mayor for Policing and Crime, MOPAC and MPS officers are working closely together to achieve this.

Appendix 8 – Action Plan

Commissioner

Recommendations

Recommendation 1

Review the accounting treatments adopted in respect of the relationship between the Mayor's Office and the Commissioner in light of any professional accounting guidance issued.

Responsibility	Lead Accountant - Group Finance on behalf of Director of Resources (MPS)
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Priority	Medium
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Date	31 March 2013
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Comments	Agreed: Officers are monitoring the publication of future professional guidance closely and also reviewing the accounting treatment in relation to the second period of transition.
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Recommendation 2

N/A

Responsibility	
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Priority	
-----------------	--

Date	
-------------	--

Comments	Not applicable. Included in action plan to maintain numbering with equivalent Mayor's Office recommendations in Appendix 8 only.
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Recommendation 3

Agree and finalise financial regulations which underpin preparation of the financial statements and reflect the governance arrangements between the Mayor's Office and the Commissioner.

Responsibility	Director of Resources -MPS
Priority	High
Date	31 October 2012
Comments	Agreed: The MOPAC contract and financial regulations have been drafted in consultation with the MPS and will be presented to the Audit Panel on 4 October before they are forwarded to the Deputy Mayor for Policing and Crime for approval. These regulations will underpin the financial statements of the CPM.

Recommendation 4

Establish a joint Mayor's Office / Commissioner procedure clarifying arrangements for the scrutiny and approval of severance payments to senior officers covering:

- who must be consulted;
- what advice must be obtained;
- in what circumstances delegated authority can be used; and
- the minimum documentation standards to be observed.

Responsibility	Director of Human Resources -MPS
Priority	Medium
Date	31 December 2012
Comments	Agreed: An appropriate framework will be developed.

Recommendation 5

Develop an action plan for implementing improvements to the system of internal control where testing by the Directorate of Audit Risk and Assurance has identified existing controls are not effective.

Responsibility	Director of Corporate Development (MPS) on behalf of the Deputy Commissioner
Priority	High
Date	31 December 2012
Comments	Agreed: The MPS has identified several key areas within its Action Plan in the AGS which are intended to improve the MPS governance and internal control environments. These areas will be tracked by MPS Management Board and the Joint MPS/MOPAC Audit Panel over the next 12 months to ensure continuous improvement.

Recommendation 6

N/A

Responsibility	
Priority	
Date	
Comments	Not applicable. Included in action plan to maintain numbering with equivalent Mayor's Office recommendations in Appendix 8 only.

Recommendation 7

N/A

Responsibility	
Priority	
Date	
Comments	Not applicable. Included in action plan to maintain numbering with equivalent Mayor's Office recommendations in Appendix 8 only.

Recommendation 8

N/A	
Responsibility	
Priority	
Date	
Comments	Not applicable. Included in action plan to maintain numbering with equivalent Mayor's Office recommendations in Appendix 8 only.

Recommendation 9

Develop and agree a corporate framework for monitoring the performance, governance arrangements and financial implications of significant partnerships including periodic reporting of these areas to the MPS Management Board and the Mayor's Office.

Responsibility	Director of Corporate Development (MPS) on behalf of the Deputy Commissioner
Priority	Medium
Date	31 March 2013
Comments	Agreed: Ongoing strengthening of partnership governance and improved reporting are core to the MPS-wide MetChange Programme, which is underway at the moment, and will be implemented from April 2013. The MPS will ensure that partnership governance and improved reporting are incorporated into the One Met Model. In the interim, the MPS will continue to build on the work already in place to provide effective governance and management of significant partnerships.

Recommendation 10

The Mayor's Office and Commissioner should work together to ensure that governance arrangements and strategic and operational plans dovetail, aligning the Policing Priorities in London with available resources.

Responsibility	Director of Corporate Development (MPS) on behalf of the Deputy Commissioner
Priority	High
Date	31 March 2013
Comments	Agreed: The MPS will work with MOPAC to align its strategic vision and plans within the budget constraints.

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September 2012