

ANNUAL REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

Report by the Chief Executive and Treasurer

Introduction

1. The Authority requires each Committee to produce an annual report on its activities. The reports are intended to give a general indication of member performance. They will also provide material for incorporation into the Authority's published annual report.

Meetings and membership

2. The Committee has met on four occasions during the year at appropriate points in the annual audit cycle.
3. The Panel comprised four members. Toby Harris has been Chair of the Committee for the year. Other members have been Jennette Arnold and Rachel Whittaker. Two co-opted members Linda Duncan and Richard Stephenson, whose contribution to the work of the Committee has been welcomed, also assist the Committee.

Responsibilities

4. The Authority at its annual meeting on 8 July 2004 established the Corporate Governance Committee as a new committee. The Committee fulfils the Authority's duties in relation to internal and external audit and scrutinises the draft accounts on behalf of the Authority. In both cases, the Committee approves the annual audit programme. It has general oversight of the effectiveness of the control systems in operation. The Committee has a remit to keep the MPA risk management strategy under review and endorse an annual programme of risk management activity for the MPS, receiving progress reports and an assessment of achievement after the end of the year. The Committee also satisfies itself on an annual basis that the MPA and MPS health and safety plans are sufficient to discharge the Authority's Health and Safety responsibilities, that the plans are being implemented, that targets in relation to health and safety performance are being achieved and any topical issues are brought to notice.

Accounts

5. The Committee reviewed the draft final accounts for 2005/06 and agreed drafting amendments. The Committee recommended their approval by the full Authority.

External audit

6. The Committee received in December 2006 the external auditor's annual audit letter on conclusion of the 2005/06 audit. The external auditor was again able to provide an unqualified audit opinion on the accounts. He stated that "The MPA's arrangements for the production of draft accounts have shown improvements over recent years, and this was sustained in 2005/06". Whilst recognising the quality of

working papers, he commented that further improvements were necessary to achieve the standards that the MPA and MPS aspire to. The auditor also concluded that the MPA had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, except for putting in place arrangements to maintain a sound system of internal control

7. Under the general heading of 'performance', the auditor noted that the Authority continues to develop its capacity to sustain future improvement and that improvement is being underpinned by a considerable programme of organisational development and recommended that the implementation plan for the MPA's organisational development programme is resourced appropriately and include clear milestones to allow progress to be monitored. The auditor also reported that the assessment of the MPS police performance, published in October 2006, showed a broadly positive picture, with improved performance in most areas. The auditor also undertook a tailored use of resources assessment for the second year, completing an indicative assessment of five areas, financial reporting, financial management, financial standing, internal control and value for money. The MPA was assessed at level 2, performing adequately.
8. The auditor noted that the MPA had successfully managed significant financial pressures to deliver a balanced outturn in 2005/06. Net revenue spending was £2.7bn, £7M less than the original budget with the underspend being transferred to a number of reserves.
9. The auditor issued an unqualified report on the Best Value Performance Plan (BVPP).
10. The auditor issued his first annual governance report in September 2006. The Audit Commission is required by professional auditing standards to report to the Corporate Governance Committee certain matters before it gives its opinion on the financial statements. This report covering the financial statements fulfils this requirement. The report's aims were to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Corporate Governance Committee, to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities and to provide the Corporate Governance Committee with recommendations for improvement arising from the audit process. Key messages on the financial statements and the Use of Resources have already been covered above.

Internal Audit

11. The Committee has received progress reports on the Internal Audit programme for 2006/07 and has considered the Director of Internal Audit's annual report. The annual report concluded that, although the control environment is improving in a number of areas, the adequacy and effectiveness of internal control in the MPS continues to fall below

an acceptable standard. Generally, Internal Audit has found adequate and effective operating procedures within the MPS but in practice key controls have not been applied, applied inappropriately or not applied in time. The MPA and MPS are working together to resolve the underlying issues that are causing concerns in the control environment.

12. In September 2006, the Committee agreed the Director of Internal Audit's recommendations on how best to measure the effectiveness of Internal Audit to meet the requirements of the Accounts and Audit Regulations 2003 as amended in 2006. Performance measures included in the Director of Internal Audit's Annual Report together with any relevant opinion from the Commissioner and the Audit Commission, supplemented with the Chief Executive's Opinion, would form the basis of the assessment of Internal Audit's effectiveness. In addition, the Director of Internal Audit commissioned an independent review against the CIPFA Code of Practice, initial conclusions of which show that MPA Internal Audit comply with the required standards.
13. The Committee has approved the Internal Audit plan for 2006/07 based on an updated audit needs assessment and risk analysis for five years ahead. The plan includes a continuing programme of BOCU and OCU reviews, advisory work, audits of business and financial systems and follow-up reviews of areas subject to audit in 2006/07. Internal Audit issued a significant number of B/OCU reports in 2006/7 and is working collaboratively with B/OCU Commanders, TPHQ and Finance Services to address the issues arising. Internal Audit continues to advise on a number of significant developing systems, and to respond to the increasing number of requests for assistance.

Risk Management

14. Throughout the year, the Committee has received regular corporate risk update reports from the MPS. These provide updates on the three areas where the Business Risk Management Team (BRMT) provides the MPS with a professional lead i.e. corporate governance, business risk management and insurance management.
15. The Committee received quarterly updates on the statement of internal control (SIC). The report provided an update on progress in addressing significant issues identified in the 2005/06 SIC and outlined the process for completing the SIC for 2006/07.

Health and Safety

16. To ensure the discharge of the Authority's statutory responsibilities, the Committee has overseen the safety, health and welfare of police officers and police staff, people in the care and custody of the MPS, and all members of the public on police premises or property, by
 - agreeing the priorities for health and safety in the MPS
 - approving the revised joint policy on health and safety
 - considering the health and safety responsibilities of the Authority in relation to the four sports clubs, i.e. Bushey, Chigwell, Hayes and

- Imber Court, including the implications of a health and safety audit.
 - approving the action proposed to implement recommendations arising out of the health and safety inspection of the Authority.
 - monitoring all contact the MPS has had with the Health and Safety Executive.
 - agreeing the Authority's response to the summons issued by the Health and Safety Executive arising out of a fatal accident at Hendon swimming pool.
 - scrutinising, on a quarterly basis, MPS health and safety performance data in relation to fatalities, major incidents, near misses and other specific key performance indicators.
 - reviewing the use of Stringo (vehicle movers) machines in the MPS following a series of accidents.
 - considering the procedures and practices of Accident Claims Branch in dealing with accidents to staff or visitors on MPA premises.
 - considering the implications of the Corporate Manslaughter Bill for police authorities and the police service.
17. The Committee also considered a report on the Authority's strategic oversight mechanisms for health and safety at work in the MPS. This included:
- asking the Commissioner to provide an Annual Assurance Report letter to the Authority via the Corporate Governance Committee. Each Management Board Member would provide to the Commissioner an Annual Assurance letter in relation to their business area. A similar Assurance Report would be submitted by the Chief Executive of the MPA in relation to the direct operations of the MPA organisation. An Assurance process on these lines will enable the Commissioner to account to the MPA for the work of the MPS in this critical area, and provide similar accountability on the part of the Chief Executive.
 - the Authority and the Commissioner will jointly commission an independent professional scrutiny of MPS Safety Management, say every three years, to embrace (for instance) a top level scrutiny of the Safety Management System, a review of the capacity and professional/ technical competence of the health and safety function, a review of information relating to health and safety at work with an independent view of key trends and emerging issues, and a critical review of the methodology for benchmarking and Key Performance Indicators and a review of MPS policies and processes for health and safety risk assessment, including the effectiveness of implementation of measures to secure safe working systems.
 - the planning and budgeting processes will be refined to incorporate substantive appraisal and commentary on health and safety implications of the medium term strategy, the annual policing plan and the budget, with input from the MPS Health and Safety Strategic Committee.

- the “Health and Safety Impact” of any proposals, particularly proposals relating to procurement of services, organisational change, significant operational reviews or innovations, and investment proposals will be reported to the Authority.
 - the MPA Estates Oversight Group will be tasked with a review, to be completed within 6 months, of the health and safety management system in relation to the MPS estate, and of the arrangements for monitoring and managing risks, and for reflecting health and safety needs/risks in investment and maintenance programmes.
18. To strengthen the oversight mechanism, the Authority is represented on the MPS Strategic Health and Safety Committee and members are all provided with copies of the minutes. In a reciprocal arrangement, the MPA Committee provides a conduit for the expression of concerns and all staff associations are invited to meetings of the Committee so that, if necessary, any issues can be raised direct. The Authority is also represented on the UK Strategic Health and Safety Committee (from 1 April 2007 the National Police Improvement Agency have taken the lead from the Home Office on this), the ACPO Joint Advisory Group on Health and Safety, the APA Hemline (Health and Safety) Group and the MPS Health Commission, which deals with the management of operational health and safety issues such as restricted and recuperative duties.

Next year

19. In the forthcoming year, the Committee will continue to oversee the internal and external audit programmes. The Committee will be looking for continuing improvement in the Director of Internal Audit’s rating of the adequacy of internal control in the MPS. The Statement of Internal Control will continue to be considered as a separate report to the accounts and quarterly updates will be provided on progress in addressing significant issues identified in the statement. The Committee will continue to take a lead on behalf of the Authority in overseeing risk management arrangements in the corporate governance structures of both the MPA and the MPS. In addition further progress will be made in the assurance that MPS and MPA Health and Safety plans are sufficient to discharge the Authority’s responsibilities and in particular that the plans are being implemented.

RACE AND EQUALITY IMPACT

The Committee addresses equalities aspects if and when they arise in relation to its business.

FINANCIAL IMPLICATIONS

The cost of the Committee’s activities is met within the MPA’s directly managed budget.

Report author: Ken Hunt, Treasurer.