

## STATEMENT ON SYSTEM OF INTERNAL CONTROL

Position as at 31 March 2006 including plans for the financial year 2006-07

### 1. SCOPE OF RESPONSIBILITY

The Metropolitan Police Authority (MPA) is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. In exercising this responsibility, the Authority places reliance on the Commissioner of the Metropolitan Police Service (MPS) to support the internal control and risk management processes.

A more detailed Statement of Internal Control for the MPS signed by the Commissioner supports this overarching Statement.

### 2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable and foreseeable level rather than trying to eliminate all risk of non-achievement of policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The system of internal control in place for the year ended 31 March 2006 and up to the date of approval of the annual accounts has been the subject of review.

### 3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the internal control environment include:

#### **Facilitating effective strategy policy and decision making**

The Full Authority and Co-ordination and Policing Committee meet regularly to consider the strategic direction, plans and progress of the Authority. A range of member committees regularly reviews specific policy areas. The MPA Senior Management Team are responsible for establishing the internal vision, strategic direction and priorities for the MPA and advising and supporting members in influencing and shaping the strategic direction and priorities for the policing of London.

Within the MPS, Management Board is the strategic co-ordinating and tasking group for the organisation with responsibility for developing and delivering the corporate strategy. In addition, the continuing implementation of the National Intelligence Model provides strategic direction for senior managers and the corporate strategic assessment identifies future strategic issues. The

integrated planning process continues to be enhanced, with a single integrated planning document incorporating strategy and annual plan. Other boards such as Investment Board, Contracts Board and Planning Board support strategy, policy and decision making.

Establishing and monitoring the achievement of objectives to ensure that high quality services are delivered efficiently and effectively

An extensive planning and consultation process identifies policing priorities for the coming year each of which has a clear objective. The Authority approves key performance indicators and targets to support the objectives. All the key targets are subject to close scrutiny by the full Authority and the Planning, Performance and Review Committee. The process assists management in highlighting performance problems at an early stage, facilitating appropriate interventions.

Within the MPS, there is a performance management framework in place supporting the Performance Board. This focuses on delivery of the seven strategic priorities, thirteen objectives and delivery of the Met Modernisation Programme. There is also an inspection and review programme with monthly publication of progress and activity. This is currently being enhanced to include tracking, implementation and progress of Internal Audit high risk recommendations.

### **Ensuring compliance with statutory obligations, laws, regulations, guidance and established policies and procedures**

The Authority has a duty to ensure that it acts in accordance with the Law and various regulations. A number of policies and procedures have been produced to ensure officers understand their responsibilities. In addition, professionally qualified staff occupy key roles throughout both the MPS and MPA. Regular reports are made to the Authority on compliance with current initiatives and external requirements, with internal audit reporting on the effectiveness of the organisation's systems of internal controls and making recommendations for improvement. The Authority has delegated Monitoring Officer responsibilities to the Deputy Chief Executive and Solicitor to the Authority.

Within the MPS the Policy Unit are responsible for overseeing all key aspects of policies and standard operating procedures, with a process in place to ensure that each national policy is assessed against an NCPE capability assessment. A new Corporate Governance Framework has been agreed within the MPS with the Director of Strategy, Modernisation and Performance having overall responsibility.

### **Management of change processes**

The Met Modernisation Programme (MMP) is an MPS organisational change programme. The MPA is responsible for endorsing the programme on an annual basis, monitoring progress and endorsing recommendations made by the management board.

Within the MPS a programme delivery board manages the MMP with

corporate oversight provided by Management Board. Co-ordination of MPS change via the MMP will ensure that strategic change decisions are effective, co-ordinated and focused on delivering service improvement in line with strategic outcomes.

### **Identifying, assessing and managing the key risks to the Authority's services**

The Corporate Governance Committee are responsible for ensuring that risk management processes and programmes operate effectively in accordance with the risk management strategy, endorsed by the Authority in July 2004 revisions to which were approved by Corporate Governance Committee in December 2005. The strategy sets out the objectives, responsibilities, processes and support mechanisms for risk management. Risk registers are being embedded throughout the MPS, with key risks incorporated in the corporate risk register. A programme of training is underway and an engagement programme is targeting all areas of the MPS to further embed risk management.

The MPA has developed a risk profile, reviewed regularly by the senior management team, actions from which are embedded in corporate and team work plans.

### **Minimising disruption to the Authority's business as usual**

Business continuity boards are in place within the MPA and MPS, with continuity plans compiled for all areas of the MPA and MPS. These are reviewed on an annual basis, and within the MPS dip sampled by the business continuity team.

### **Ensuring effective corporate financial management and reporting thereof**

In accordance with S127 of the Greater London Act 1999, the MPA Treasurer is the financial adviser to the MPA and is responsible for ensuring the financial affairs of the Authority and MPS are properly administered having regard to probity, legality and appropriate standards.

The Commissioner has responsibility for the day-to-day financial management of the MPS in accordance with the approved scheme of delegation. The MPS operate within a devolved accounting framework that is supported by business accountants and regular financial awareness training.

Budget monitoring reports for both capital and revenue are presented to both MPS Investment Board and MPA Finance Committee on a regular basis. These compare actual and forecast expenditure against budget, providing explanations for major variances.

The financial planning framework is currently being revised to improve integration with strategic planning and ensuring improved financial planning and budgeting. The framework will also move away from an annual bidding round, flagging up the financial challenges much sooner and over a three year timeframe.

The Finance Committee approved a rolling programme to ensure continuous improvement over a three-year period – the Financial Management Strategic Improvement Plan – and receives regular reports on achievements.

### **Ensuring economical, effective, efficient and safe use of resources**

In accordance with the Local Government Act 1999 (and subsequent revised government guidance) the MPA are responsible for ensuring that arrangements are in place that ensure continuous improvement, and that economy, effectiveness and efficiency are secured both within the MPA and MPS, and service improvement reviews (SIRs, commonly known as best value reviews) are one of the methods used in achieving this. Based on advice from the MPS the Planning, Performance and Review Committee are responsible for selecting all SIRs. The Committee approve SIRs, their final reports and implementation plans and monitor implementation of the plans.

As part of their annual Policing Plan the MPS are required to demonstrate efficiency savings equivalent to 3% of their annual budget with performance also being maintained or improved. Her Majesty's Inspectorate of Constabularies (HMIC) monitor police authorities' achievement through quarterly inspections and quarterly reports on progress are also made to the Finance Committee.

An informal, member-led group oversees scrutiny of specific budget headings.

The MPA have an Anti Fraud and Corruption Policy as part of its corporate governance arrangements to assist in safeguarding its resources, and the MPS also have an Anti Fraud and Corruption Strategy that is overseen by the Professional Standards Strategic Committee.

### **Ensuring the Authority's information is trusted, accessible and usable**

The Authority has a member with specific responsibility for information systems and technology that through regular scrutiny meetings ensures that information is trusted and assessable.

Within the MPS this responsibility lies with the Directorate of Information who through the Information Management Strategic Group are driving through the information management strategy.

The MPS Information Authority is responsible for the ratification of the information policy and provides governance for the information management business programme. There are also a number of other groups within the MPS who all contribute towards effective information management.

### **Working for and with the community to promote its well being, exercising leadership as necessary**

The Co-ordination and Policing Committee (previously the responsibility of the Community Engagement Committee) is responsible for promoting and monitoring the development of effective arrangements within the MPA and MPS to engage with local communities in the delivery of local policing

services and in building safer neighbourhoods. Community Police Consultative Groups and Crime and Disorder Reduction Partnerships (CDRPs) facilitate consultation with local communities, with CDRPs informing local priorities that are included in the annual Policing Performance Plan.

The accelerated roll-out of Safer Neighbourhood teams will help ensure that local policing is delivered to the community and that feedback from the community is built into future policing delivery.

Citizen Focus outlines expectations of contact with the MPS, interacting and responding to the community and dealing with victims of crime.

### **Defining, communicating and monitoring professional standards**

The Professional Standards and Complaints Committee are responsible for monitoring professional standards of ACPO rank police officers and the Standards Committee is responsible for promoting and maintaining high standards of conduct by members of the Authority.

Within the MPS, this is the responsibility of the Directorate of Professional Standards. There is a Professional Standards Strategy in place that is driven by the MPS Professional Standards Strategic Committee. The strategy has recently been reviewed in light of a number of reports.

### **Defining, communicating and monitoring standards of individual performance expected of all personnel**

The Co-ordination and Policing Committee are responsible for all Human Resources issues following the recent Committee restructure.

Policies are in place to define standards of performance expected by all personnel. Performance development reviews are undertaken on an annual basis and there are procedures in place to manage unsatisfactory performance. Annual training programmes outline the training needs of individuals and the organisation as a whole.

## **4. REVIEW OF EFFECTIVENESS**

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. For those systems reviewed by Internal Audit in 2005/6, the average assurance score was 3.3. (3.4 in 2004/5) on a scale of 1 to 5 (where a score of 2 reflects a system with adequate controls and 3 to 4 reflects increasing degrees of the need to improve). Although follow-up audits did show a clear improvement from the assurance scores at the time of the original audits, with an average score of 2.5 (2.6 in 2004/5), the last two years do not reflect the steady improvement of earlier years.

This review of effectiveness was informed by the work of the internal auditors and also managers within the Authority who have the responsibility for the development and maintenance of the internal control environment. In addition, comments made by the external auditors and other review agencies and inspectorates have informed this review. Brief comments on their roles

are as follows:

- Internal Audit: The responsibility for maintaining and reviewing the system of internal control rests with the Authority. In practice however the Authority takes assurance from the work of Internal Audit. In fulfilling this responsibility:
  - Internal Audit operates to CIPFA's Code of Internal Audit Practice 2003. The Code requires the Director of Internal Audit to include in the annual internal audit report an opinion on the internal control environment; providing any details of weaknesses that qualify this opinion and bringing to the attention of the Authority any issues particularly relevant to the preparation of this Statement of Internal Control. The Authority is satisfied that Internal Audit operates to the standards set out in the Code and can take assurance from their opinion.
  - Internal Audit reports to the Chief Executive and the Corporate Governance Committee;
  - the Director of Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal control;
  - external audit express an opinion on the adequacy of internal audit work;
  - internal audit work is planned using a risk-based approach that aims to ensure that the Treasurer's responsibilities under s127 of the GLA Act 1999 are fulfilled and that an effective internal audit service is provided to the Authority as required under the Accounts and Audits Regulation 2003.
- External Audit – in their annual audit letter particularly comment on financial aspects of corporate governance and performance management and other reports.
- Other review/assurance mechanisms: for example HMIC, Health and Safety Inspectorate, Corporate Risk Management Group.

## 5. SIGNIFICANT INTERNAL CONTROL ISSUES

### 2004/05

There were thirteen areas where internal control issues were raised in last year's statement. Progress in addressing these is detailed below.

	<b>Internal control issue</b>	<b>Progress to date</b>
1	To further deliver an effective police service across London	The Met Modernisation Programme (MMP) is being developed to deliver the Service Review and corporate review recommendations. The new Strategy, Modernisation and Performance Directorate are responsible for managing the corporate strategy process and MMP.
2	To ensure that effective decision-making at the right levels is embedded across the MPS	The new Management Board Operating Framework will ensure that Management Board members are better supported to make key strategic decisions. Business case management is now in place and programme of

		training is under development.
3	To further embed the management of risk and reduce the level of risk to an acceptable level	The recently reviewed risk management strategy continues to be implemented. The Business Risk Management Team's "engagement programme" is increasing awareness and quality of the risk registers.
4	To further enable the MPS to plan for major business disruption via business continuity planning	The MPS has brigaded resources dedicated to emergency planning, business continuity management and London Resilience into one command within Central Operations.
5	To further implement the management of change programmes across the MPS	The MMP is a co-ordinated change programme encompassing all major areas of change within the MPS. It will also improve the internal culture of the MPS and increase performance, co-ordinating and helping support the implementation of the major changes set out in the 3-year plan (2006 – 2009).
6	To ensure the effective deployment of national policing standards	Quarterly reports to Management Board track progress on compliance with National Standards and Codes of Practice.
7	To assist in bringing closer together, resource allocation and planning	The financial planning framework is currently being revised to improve integration with strategic planning, ensure improved financial planning and budgeting, moving away from an annual bidding round, flagging up the financial challenges much sooner and over a three year time frame
8	To ensure that intelligence led policing continues to be integrated in to the MPS	An MPS Intelligence Steering Group has been established to drive intelligence development. Each Business Group ACPO Lead has an Intelligence Implementation Lead who is responsible for driving the implementation of intelligence development within each business group. Plans are in place to address National Intelligence Model (NIM) minimum standards, however due to scale of delivery the timescales cannot be met
9	To continue with the effective management of MPS policies	The Policy Unit has been reviewed and now forms part of the Strategy Unit. The Policy Unit continues to develop and monitor the policies of the MPS. Quarterly status reports are submitted to Management Board
10	To ensure continuous improvement in the ways in which the MPS manage its information	The implementation of the Information Management Strategy, role of the Information Authority, Information Management Business Change programmes and METSEC Programme Board help ensure that the MPS manages its information in a trusted, accessible and usable

		way. Work continues on the implementation of Bichard recommendations and the development of a corporate data warehouse system.
11	To continue to manage the performance of people across the MPS	Work continues within Human Resources strategy to manage peoples' performance incorporating personal development reviews, career pathways, National Occupational Standards, qualifications and work-based assessments
12	To continue the effective delivery of the outsourcing programme with maximised benefits	The Outsourcing Programme Team continue to manage the outsourcing programme with assistance from internal support teams The team reports to the Outsourced Services Steering Group, chaired by the Director of Resources, who is a member of MPS Management Board. All strands are delivered against an implementation model to ensure that benefits are maximised, and risk registers are regularly reviewed.
13	To continue to respond robustly to the Diversity imperative	The MPS Diversity strategy now has Full Authority approval. The Director of Recruitment holds a monthly scrutiny panel looking at all diversity. Update papers are provided to the MPS Management Board on request. Human Resources also provide an update and attend the monthly Race Relations (Amendment) Act Meeting chaired by the Diversity & Citizen Focus Directorate where progress reports are given.

### 2005/06

For 2005/06 the Authority has identified five main internal control issues that require attention during 2006/07

<b>Issue</b>	<b>Action</b>
The MPS's system of Corporate Governance is new and not yet embedded throughout the organisation	The MPS need to put in place measures to monitor the embedding of the new corporate governance framework
All relevant contract regulations and need to be followed at all times when letting contracts	The MPA/MPS need to put in measures to monitor compliance pro-actively
The average assurance score on internal control is 3.3, significantly lower than the score of 2, needed to indicate that there are adequate systems of control in place	The MPS need to strengthen the current systems of internal control in place so that improvements in the assurance score can be achieved during 2006/07
Resource and financial planning needed to be more closely aligned	Development and implementation of the financial planning framework will need to be closely monitored by the



	MPA/MPS
Risk management is not yet fully embedded throughout the organisation	The MPS Business Risk Management team is developing minimum standards for managing risk in a partnership context and a framework of risk management competencies. Further work to be undertaken on reviewing the MPA/MPS risk financing arrangements.