

## ANNUAL GOVERNANCE STATEMENT

**Position as at 31 March 2008 including plans for the financial year 2008-09**

### **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, properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the Authority places reliance on the Commissioner to support the governance and risk management processes.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. A copy is on our website at [www.mpa.gov.uk](http://www.mpa.gov.uk) or can be obtained from the Treasury Team, Metropolitan Police Authority, 10 Dean Farrar Street London, SW1H 0NY. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendments) (England) Regulations 2006 in relation to the publication of a statement on internal control.

A more detailed Statement of Assurance for the MPS signed by the Commissioner supports the Authority's overarching Governance Statement.

### **2. The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve 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 governance framework has been in place at the Authority for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

### **3. The Governance Framework**

The key elements of the systems and processes that comprise the governance arrangements that have been put in place for the Authority and MPS include:

Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

Authority members are responsible for the vision, strategic direction and priorities for the Authority, and are advised by the senior management team who also advise and support members in influencing and shaping the strategic direction and priorities for the policing of London.

The Authority agreed a corporate strategy and priorities in 2004. These were reviewed and restated in June 2007. A further review is currently being undertaken to coincide with the Authority's new administration in Summer 2008.

Within the MPS the corporate strategic assessment (CSA), existing corporate strategies, corporate and territorial policing target setting processes are all used in identifying policing priorities outlined in the joint Policing London Business Plan. Public consultation forms an important part of the process. The plan covers a three-year period and provides details of the MPS's corporate objectives, outlining what the MPS intend to do to deliver these objectives. The plan also describes how the delivery of these objectives will be monitored through the use of Critical Performance Areas and targets. Full Authority agrees the plan on an annual basis.

In addition, both the Full Authority and Co-ordination and Policing Committee meet regularly to consider the strategic direction, plans and progress of the Authority and MPS. A range of member committees regularly reviews specific policy areas. These formal meetings are held in public and papers are available on the internet.

#### **Reviewing the Authority's vision and its implications for governance arrangements**

A review of the Authority's Corporate Strategy and its vision is currently being undertaken to coincide with the Authority's new administration. Governance arrangements to support the current corporate strategy were developed in 2007/08 and implications for governance arrangements will be revisited once the review of the corporate strategy is complete. If required following the review, suggested changes to the local code of corporate governance will be presented to Corporate Governance Committee for approval.

#### **Measuring the quality of services for users, ensuring they are delivered**

**in accordance with the Authority's objectives and that they represent the best use of resources**

The MPS Performance Board monitors key performance across the MPS, including recommendations from Her Majesty's Inspectorate of Constabulary (HMIC) baseline assessment and the Police Performance Assessment Framework and regularly reports to the Authority's Planning, Performance and Review Committee. This is the committee responsible for monitoring the performance of the service against the policing plan targets and other performance indicators set locally or by external organisations. In addition, the full Authority receives performance information on a monthly basis with members of the Authority using the information provided to hold the Commissioner to account.

Within the MPS the Crime Recording Oversight group monitors implementation of the National Standards for incident recording and the national crime recording standards action plan.

The Authority regularly scrutinises budgets throughout the financial year to ensure they represent best use of resources, both as part of the business planning process, with all business group's budgets being subject to members' scrutiny of their savings and growth proposals and as part of budget monitoring with the Authority's Finance Committee receiving regular monitoring reports.

As part of the Policing London Business Plan the MPS is required to demonstrate cashable efficiency savings of 9.3% over 3 years from 2008/09 approximately. Achievement in meeting these savings is monitored by HMIC. In addition, Finance Committee monitor progress through quarterly update reports.

**Defining and documenting the roles and responsibilities of the Authority and MPS and the members and senior officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising the services' activity**

The Corporate Strategy clearly defines the complex role played by the Authority, and the roles and responsibilities of each of the Authority's Committees are clearly defined in their individual terms of reference. These include arrangements for challenging and scrutinising the MPS's activity.

The Authority's Standing Orders provide for the delegation of Authority functions and decision making to committees, sub committees, panels and senior officers and includes a scheme of delegation that sets out those decisions that the Authority has delegated to its officers and the Commissioner.

**Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff**

Members are bound by the Members' Code of Conduct that form part of Standing Orders, and Standards Committee is responsible for ensuring that

members are aware of their responsibilities under the code and receive guidance on ethical standards and behaviour. A new programme of ethical training is due to take place in the autumn of 2008 following the appointment of new independent members. The Authority's Standards Committee have developed key standard indicators that are used to monitor ethical and good practice standards in the Authority.

As part of the Authority's improvement programme, values and behaviours supporting the corporate strategy have been put in place. Leadership and training programmes are currently being developed that are intended to ensure that those who lead or manage within the Authority are equipped with the necessary skills. This will include a module to reinforce the values and behaviours model.

The Good Conduct and Anti Fraud Policy forms part of standing orders and is applicable to both Members and employees of the Authority and the MPS and also all external persons that the Authority does business with.

Within the MPS the Professional Standards Directorate are the lead for this area, with the MPS Professional Standards Strategic Committee overseeing strategy and policy. The Committee is supported by a professional standards support programme. The Directorate undertakes a Strategic Intelligence Assessment on an annual basis (which is reviewed after 6 months). This covers professional standards issues; ranging from unethical and unprofessional behaviours, civil actions, employment tribunals and criminality by staff and serious corruption.

**Reviewing and updating standing orders and supporting documentation, which clearly define how decisions are taken and the processes and controls required to manage risks**

The Authority's standing orders and supporting financial instructions are reviewed on an annual basis to ensure they are fit for purpose. A review of standing orders was last completed in 2007 with the Full Authority approving the revisions in June 2007 and included a thorough review of the contract regulations.

Following approval of the revised standing orders the MPS undertook a major review of the MPS scheme of delegation. The revised scheme was launched in October 2007 to coincide with the revised standing orders coming into effect. There are procedure notes and manuals in place for all key systems. These are regularly reviewed and revised where appropriate to ensure they are fit for purpose.

The Authority and MPS have aligned their approach to risk management which is documented in the joint risk management strategy. The strategy sets out the objectives, responsibilities, processes and support mechanisms for risk management and was endorsed by the Authority in July 2004 with revisions approved by Corporate Governance Committee in December 2005. The Corporate Governance Committee is responsible for ensuring that risk management processes and programmes operate effectively in accordance

with the risk management strategy

Within the MPS the risk management policy, standard operating procedures and risk registers are all key components for managing risk. In addition, a number of other things are taking place to help maintain focus including a continual training and engagement programme, the establishment of the Corporate Risk Review Group and all papers to Management Board and Investment Board requiring business risks to be considered.

The Authority has developed a risk profile that is reviewed regularly by the Senior Management Team, actions from which are embedded in corporate and teamwork plans.

### **Undertaking the core functions of an Audit Committee**

Corporate Governance Committee provides the core functions of an Audit Committee and in line with CIPFA guidance considers issues relating to internal control, risk management and financial reporting, including the annual scrutiny of the statement of accounts. In addition, the Committee provides a forum to discuss areas of concern raised either by internal or external audit as well as Health and Safety scrutiny.

In addition to the Authority members that sit on Corporate Governance Committee there are also two co-optees. These members bring additional expertise in their areas of competence i.e. health and safety and audit.

### **Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful**

The Authority has a duty to ensure that it acts in accordance with the law and various regulations. Standing orders and supporting policies and procedures have been produced to ensure officers, within the Authority and MPS understand their responsibilities. These, and compliance with them, are reviewed regularly both internally and by the appropriate committees, and all Committee reports must consider the legal implications of their proposals. Significant pieces of work are underway within the Authority and the MPS to further develop Corporate Governance Frameworks and supporting controls to minimise the risk of governance failures.

In addition, professionally qualified staff occupy key roles throughout both the MPS and the Authority. 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 will delegate Monitoring Officer responsibilities to the Solicitor to the Authority, however as this post is currently vacant the responsibility has temporarily been delegated to the Head of the Corporate Secretariat.

Within the MPS, all reports to Management Board and Investment Board must consider legal implications and the scheme of delegation requires legal advice to be sought from the Directorate of Legal Services before the MPS enters into any form of commitment. The Policy Co-Ordination Unit is responsible for

overseeing all key aspects of policy, quality assuring all policies and overseeing the monitoring of corporate policies. The purchase to pay programme currently underway within the MPS will improve compliance with policies and procedures through the development of appropriate systems.

The Solicitor to the Authority considers legal implications where appropriate.

### **Whistleblowing, receiving complaints from the public and handling citizen and other redress**

Within the Authority the Corporate Secretariat provide the central point for receiving complaints sent to the Authority. The standards and complaints sub-committee considers complaints made about police officers. The Committee will consider whether or not there is a matter to be investigated, arranging for an investigation if a need is identified.

Complaints made about the Authority or a member of staff are initially dealt with by the relevant line manager, being referred on to the corporate complaints officer and the Local Government Ombudsman if need be.

The Customer Services Team within the MPS provide the central point of contact for receiving complaints sent to the MPS. Complaints are investigated monitored and where applicable, escalated. Professional Standards and Complaints Committee is responsible for monitoring the MPS's complaints procedures and monitoring reports on complaints on a quarterly basis. In addition, the Authority has direct access to the MPS's Tribune complaints database.

Arrangements are in place for members of the public to report internal fraud in the MPS or the Authority via it's website.

The MPS have a "Reporting Wrongdoing Policy" which sets out the whistleblowing arrangements for the MPS, including compliance with the 1998 Public Interest Disclosure Act. Internal Audit is one of the contact points for reporting wrongdoing.

### **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

The Authority embarked on an improvement programme in 2006, one of the aims of which was to improve the capacity of the organisation through a development programme for members and officers. The organisation is currently undergoing a training needs analysis that will be used to identify the training needs of officers, and a programme of training will begin June 2008. In addition the personal development review process identifies, manages and monitors the work related and personal development objectives of all staff both within the Authority and MPS

Within the MPS the leadership Academy trains and develops new and existing managers through values based leadership development programmes and interventions. There are also structured induction/probation programmes and mandatory training for new supervisors and line managers. The human

resources scorecard reports are discussed at monthly human resources board meetings, and training issues at training management board.

The Authority is about to enter a new administration and in addition will have a number of new independent members join in the autumn. As previously all new members will receive a full induction together with skills based training such as dealing with the media and chairing meetings. Other training will be offered during their term of office to address any identified needs. In 2007/08 risk management training was provided to all members of Corporate Governance Committee to address such an identified need.

**Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Authority undertakes community consultation in the development of its work through general and specialist activities. The second of the Authority's corporate priorities is 'to transform community engagement to help Londoners' secure more responsive policing' and to achieve this the Authority has developed its *Community Engagement Strategy* "...to increase and enhance Londoners say in how their city is policed". In addition, Safer Neighbourhood Panels and the associated communication strategy are seen as key in engaging with the community.

The practical implementation of the community engagement is supported by the work of a broad section of the Authority, through monitoring and scrutiny work and by the specialist support of its Engagement and Partnerships Unit - using a specialist funding programme to support the systematic development and programmes of work of Community and Police Engagement Groups (CPEGs) in the 32 London Boroughs - and by the work of the MPS and their partners.

There are key consultation duties that require the Authority and the MPS to undertake community consultation and include:

- Understanding Community Views on Policing - making arrangements, in consultation with the Commissioner, for obtaining the views of people in the area about matters concerning their policing.
- Consultation on Police Objectives – ensuring that in the development of annual policing objectives, the Authority has regard to issues raised in local consultative arrangements; that separate consultative arrangements are put in place by the Authority for each London Borough in consultation with its respective local authority.
- Crime and Disorder Partnerships –to ensure that local people's views on crime and disorder reduction priorities are included in the development of local crime and disorder Strategic Assessment and in the planning and implementing the crime and disorder partnership plan.
- Local Strategic Partnerships, and Local Area Agreements – Police Authorities have a legal duty to co-operate in determining LAA targets and have regard to those targets linking LAA targets, Policing Plan targets and CDRPs

The Authority and MPS work in partnership to consult on all relevant plans, policies and proposals such as the Policing London Business Plan and Budget and take the results of the consultation into account prior to making decisions.

#### **Incorporating good governance arrangements in respect of partnerships**

As part of the improvement programme the Authority is strengthening current governance arrangements to ensure that the CEGs are properly held to account for the funding they receive from the Authority. The Community Engagement and Citizen Focus oversight group have reviewed all bids for funding for 2008/09 prior to a report seeking approval being submitted to the Co-ordination and Policing Committee. In addition, the Engagement and Partnership Unit has been restructured to ensure it is better resourced to monitor and evaluate funding provided to the CPEGs.

As a responsible authority of each borough's crime and disorder reduction partnership (CDRP), the Authority undertakes its duty through the attachment of a link officer to each of the 32 CDRPs for the purposes of ensuring the Authority's views are represented in the general development of their work and in the development of borough based community safety priorities and their incorporation into the work of local strategic partnerships and their Local Area Agreement developments. The link officers also ensure there is two way communications between the CDRPs and the Authority. These officers, work with Authority members, supporting them when they are attached to Boroughs – as link members. The Community Engagement and Citizen Focus Oversight Group's terms of reference require oversight and guidance of the CDRP work and additionally the officers also report back through the internal management structure of the Authority. It is noted that CDRPs are not commissioning bodies in their own right but rather are constituted as strategic bodies who may make recommendations to the accountable body (the local authority through its strategic partnership) for the support of a programme of activity.

Within the MPS, there are accounting arrangements in place for partnerships that are specified in the finance manual. Budgets and expenditure are accounted for separately in the finance system and there are specific grant terms and conditions that need to be complied with. There is also risk management guidance available for partnerships.

#### **4. Review of effectiveness**

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including

- The system of internal audit
- The system of internal control

A group of senior officers within the Authority have undertaken a review of effectiveness of the governance framework using as its basis the Authority's self assessment framework and taking into account the work of internal auditors and also managers within the Authority who have responsibility for the development and maintenance of the governance environment. In



addition, comments made by the external auditors and other review agencies and inspectorates have informed this review. The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined below: -

- **The Authority**

The Authority has overall responsibility for the discharge of all the powers and duties placed on it and has a statutory duty to 'maintain an efficient and effective police force'. The Authority will from time to time receive reports on governance issues and in 2007/08 approved a new local code of corporate governance. However as detailed in standing orders, the Authority has delegated responsibility for the review and maintenance of the governance framework to Corporate Governance Committee and therefore that Committee discusses the majority of governance issues, with reports being referred to the Authority as and when felt appropriate. In 2007/08, the Authority considered a report detailing actions being taken to enhance the management of the corporate charge card systems and identify and deal with significant issues identified.

- **The Metropolitan Police Service**

The Commissioner has responsibility for conducting a review of the effectiveness of the governance framework within the MPS at least annually. This review is informed by the work of the Director of Resources, Director of Internal Audit and managers within the MPS who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2007/08 the officers of the Authority have placed reliance on this review and the MPS's resulting Annual Assurance Statement.

- **Corporate Governance Committee**

The Authority has delegated responsibility for reviewing and maintaining the effectiveness of the governance framework to Corporate Governance Committee receiving regular reports on governance issues at it's quarterly meetings. During 2007/08 in addition to the regular update reports on governance and risk issues that the Committee receives as a matter of course the Committee also received a number of reports on governance issues including the local code of governance for the Authority and a number of reports on the MPS corporate governance framework including steps being taken to strengthen existing governance arrangements within the MPS.

As with the Statement of Internal Control, the Committee will from now on review and approve the Annual Governance Statement for inclusion in the Annual Statement of Accounts and receive quarterly update reports on progress made in addressing significant governance issues included in it.

- **The Standards Committee**

Standards Committee is responsible for promoting and maintaining high standards of conduct by members of the Authority. As part of reviewing and maintaining the effectiveness of the governance framework the

Committee monitors key standard indicators on a regular basis. During 2007/08 in addition to the regular reports the Committee received on standard indicators the Committee also received a report on the new model code of conduct for members, a report on the local code of corporate governance and a report considering the impact on the ethical standards regime brought about by the Local Government and Public Involvement in Health Bill.

- **Internal Audit**

In maintaining and reviewing the governance framework, the Treasurer places reliance on the work undertaken by Internal Audit and in particular Internal Audit reports to the Chief Executive and the Corporate Governance Committee and the Director of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control. For 2007/08 the Director of Internal Audit is of the opinion and, taking into account all available evidence, the adequacy and effectiveness of the control environment in the MPS falls below an acceptable standard. In reaching this opinion, he acknowledges that internal audit have generally found adequate and effective operating procedures within the MPS. However, their tests and investigations during the year showed that in high-risk systems a number of controls were not being operated effectively.

- **External Audit**

External Audit are an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of the Authority's services, with their annual letter particularly providing comment on financial aspects of corporate governance, performance management and other reports. In 2007/08 the annual letter highlighted amongst other things the need to continue developing and strengthening risk management, maintain the drive to improve value for money, to further strengthen financial management arrangements and to continue to review and protect the Authority's financial position. The letter also made reference to the value for money conclusion issued in September 2007. This concluded that the Authority 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.

- **Her Majesty's Inspectorate of Constabulary**

HMIC are charged with promoting the effectiveness and efficiency of policing, improving performance and sharing good practice nationally. HMIC delivered several, generally positive inspections during 2007/08. Performance management in their view was good but requires further development so that it sets out the key performance accountabilities, systems and products across the force, taking into account the ten principles outlined in 'Managing Police Performance'. They also indicated that the allocation of resources across the organisation could be improved. The inspection of public protection found a number of weaknesses, particularly in the consistency of services delivered at a local level.

Neighbourhood policing was found to be excellent. Action plans aimed at addressing the identified weaknesses are in place.

- **In addition to the above other review/assurance mechanisms such as the Health and Safety Inspectorate are also relied upon.**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Corporate Governance Committee challenging Force performance and compliance and a plan to address weaknesses and ensure continuous improvement of the system is in place.

#### 4. Significant Governance Issues

	Governance Issues	Action
1	<p>The adequacy and effectiveness of internal control continues to fall below acceptable standards as evidenced by the Director of Internal Audit's opinion of the adequacy and effectiveness of the MPS control environment.</p> <p>There continues to be instances of non-compliance with regulations and internal policies for example in relation to contract regulations and use of American Express card.</p>	<p>Work is underway to improve the corporate governance framework and to develop resource management within the MPS through projects such as purchase to pay. Implementation of these will ensure controls are strengthened, compliant contracts are in place and examples of non-compliance reduced to a minimum.</p> <p>Progress in implementation of these will be monitored by the regular corporate framework update reports presented to corporate governance committee A set of 60 corporate health indicators has also been developed to assist the MPS and Authority in measuring compliance.</p>
2	<p>The Authority's Local Code of Corporate Governance recognises the need to have effective MPA HR policies in place to enable staff to be effective in their role. Whilst the improvement programme has recognised this as being a key objective, progress to date has been limited.</p>	<p>A consultant has been appointed to draft a set of HR policies for the Authority. The expectation is that these will be drafted and in place within a tight timescale. Once approved these will allow a consistent approach throughout the Authority to a wide number of HR policies.</p> <p>Drafting and approval of the policies will be monitored by SMT on a regular basis.</p>
3	<p>Governance arrangements for partnership working need to be reviewed and strengthened to recognise their increasing</p>	<p>The MPS have recently approved a partnership strategy and implementation plan and are in the process of developing a toolkit for</p>

	importance	<p>partnerships which will include guidance to members of staff engaged in partnership working.</p> <p>Implementation of these will ensure that best practice is shared across the MPS and partnerships are supported by appropriate governance arrangements and comply with the Authority's and MPS decision making processes.</p>
4.	<p>Internal Audit has undertaken a systems review of the corporate risk assessment and management process that has identified a number of areas where the existing arrangements and approach could be improved. The main areas identified are as follows: -</p> <ul style="list-style-type: none"> <li>• Although a framework is in place for the assessment and management of risk, it is not effective in supporting the integration and embedding of risk management across the MPS.</li> <li>• An up to date risk management policy is not in place and the current focus on business risk does not encourage a more integrated approach across the organisation.</li> <li>• The structures in place supporting the risk management process in the MPS are not fully effective and need to be reviewed to ensure that risk management is fully understood, valued and supported.</li> <li>• Controls are not in place to ensure that risk assessment is adequately and effectively integrated into the business planning and performance management process.</li> </ul>	<p>Since the original drafting of the report steps have been taken to address a number of the issues and an action plan has been agreed with the MPS as part of the report. Key actions include: -</p> <ul style="list-style-type: none"> <li>• reviewing the approach to business risk management to incorporate a process based on integrating all risk activities across the organisation</li> <li>• clearly defining the strategy for implementing risk management based on a framework that is integrated within the planning, performance and day to day management of the MPS</li> <li>• setting clear accountabilities across the MPS</li> <li>• embedding risk management into the business planning and performance management framework</li> <li>• applying a generic risk management cycle based around policing plan objectives and targets</li> <li>• designing and implementing a structure that acknowledges the need to simplify reports and escalate significant risk through the command chain in quick time.</li> </ul> <p>Internal Audit will report progress in implementing recommendations to Corporate Governance Committee during 2008/09.</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

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Chair of the Metropolitan Police Authority

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Catherine Crawford

Chief Executive of the  
Metropolitan Police Authority

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Ken Hunt  
Treasurer