

## Annual Governance Statement

### Position as at 31 March 2009 including plans for the financial year 2009-10

#### 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 2009 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 compromise 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. Environmental scanning forms an important part of the identification of local and national expectations.

The Authority agreed a corporate strategy and priorities in 2004 and the priorities were reviewed and restated in June 2007. In addition the Authority has recently approved a new strategic framework, entitled Met Forward. This is a set of strategic priorities within which the Authority will operate over the next three years, and is intended to enable the Authority to discharge its functions effectively and ensure delivery of the policing plan and other key priorities.

Within the MPS the annual Corporate Strategic Assessment process identifies, through environmental scanning, crime intelligence, strategic capability and stakeholder analysis, the policing priorities outlined in the Policing London Business Plan. Public consultation forms an important part of the process with a number of consultation processes being used to identify public priorities. 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 the Strategic and Operational Policing Committee meet regularly to consider the strategic direction, plans and progress of the Authority and MPS. A range of member committees regularly review 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**

The Authority started a new four-year term of office in 2008/09 and intend in the future to be more strategic in the way business is transacted by and within the Authority. In recognition of this a review of the committee structure was

undertaken and a new committee structure was put in place which enables the Authority to be:-

- Strategic in its oversight and scrutiny function;
- Directional in its policy setting
- Demanding of greater performance and effectiveness from partners and partnerships

In addition following approval of Met Forward all the committees are to reassess their work programmes for the next twelve months to ensure that actions are in place to deliver the Met Forward agenda. A recent review of the local code of corporate governance framework has not highlighted the need for any revisions following implementation of Met Forward.

**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 Strategic and Operational Policing Committee is responsible for monitoring performance and ensuring that MPS policy, planning and business change results in improved operational performance and productivity in respect of key priorities and targets. 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. The approval of the Policing Pledge by the Authority in early 2009 will enable the Authority to monitor the quality of the service delivered more effectively.

Within the MPS Performance Board is responsible for monitoring key performance.

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 and Resources Committee receiving regular monitoring reports. The creation of two new sub committees, Resources Sub Committee and Performance and Productivity Sub Committee in October 2008 has strengthened capacity to scrutinise in this area.

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 and Resources 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 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, which are reviewed on an annual basis, 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.

Whilst there is a broad understanding amongst members of their statutory roles and responsibilities, awareness will be strengthened further by the new statement on member role and responsibilities due to be issued shortly.

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

Members are bound by the statutory 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. All new members were offered training on standards and the code of conduct as part of the induction process and a new programme of ethical training is due to take place in 2009/10 as part of a package of training currently being developed for 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, and during 2008/09 all staff were provided with training on these to raise awareness and understanding. In addition a programme of leadership training was delivered to those who lead or manage within the Authority to ensure they are equipped with the necessary skills.

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 Strategic Intelligence Assessment which assesses risks relating to corruption and wrongdoing of MPS staff and implementation of the Taylor Reforms for policing misconduct procedures provide additional controls in this area.

### **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 decision making process is clearly defined in standing orders and supporting financial instructions and these are reviewed on an annual basis to ensure they continue to be fit for purpose. A review of standing

orders was last completed in 2008 with the Full Authority approving the revisions in July 2008 and this year's annual review of standing orders is currently underway.

The MPS have undertaken a major review of their scheme of delegation and an interim scheme is now in place with procedure notes and manuals in place for all key systems.

Corporate Governance Committee is responsible for risk management activity within the Authority and MPS, ensuring that risk management processes and programmes operate effectively in accordance with the risk management statement and supporting strategies. In December 2008 the Committee approved a joint risk management statement between the Authority and MPS which sets out the vision and objectives for risk management and the differing roles of the Authority and MPS and is supported by separate MPA and MPS risk strategies and implementation plans. Which set out in further detail the risk management vision and responsibilities to be delivered in order to achieve the desired objectives.

Within the MPS there is a risk management strategy, risk management policy and corporate risk register in place with the Service Improvement Board, Business Group Risk Co-ordinators forum and quarterly reporting to Management Board and Corporate Governance Committee all key components for managing risk.

The Authority has developed a risk register 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. The Committee also 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 risk management.

### **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.

Professionally qualified staff occupy key roles throughout the MPS and the Authority with external advice sought as and when needed. 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 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 has reviewed and rationalised purchasing processes, developing systems to ensure compliance with policies and procedures.

### **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 Professional Standards Cases 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. Whilst complaints made against members are investigated by Standards Committee.

The Customer Service Team, within the MPS, provides a central point for the receipt of complaints and regularly monitor quality and timeliness indicators. Complaints are investigated, monitored and where applicable, critical cases are escalated. The Authority has access to the MPS's complaints database and regular reports are provided to the MPA Professional Standards and Complaints Committee. A process is also in place for receiving, monitoring and resolving quality of service complaints, which is managed by the Citizen Focus Policing Programme.

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

The Authority has recently introduced a whistleblowing policy for its own staff and 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's appraisal process has recently been revised and will ensure that work related and personal development objectives of all staff within the Authority are properly identified, managed and monitored

Within the MPS the Personal Development Review process identifies, manages and monitors the work related and personal development opportunities for all staff. 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.

A significant number of new members joined the Authority in 2008/09, partially due a new administration coming into power and partially due to a new term of office for independent members commencing in the autumn. All new members were offered a full induction together with skills based training such as dealing with the media and chairing meetings. Further training is to be offered to members in 2009/10 as part of the new member development programme currently being developed.

### **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 establishment of the Community, Equalities and People Committee has strengthened the Authorities oversight of community engagement, with the practical implementation of community engagement continuing to be 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. Joint Engagement Meetings are a new initiative introduced in 2008/09, whereby key borough stakeholders are brought together with the Authority's Vice Chair to facilitate joint problem solving on issues related to crime and public safety.

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**

The Authority has strengthened governance arrangements for Community Policing Engagement Groups (CPEGs) to ensure they are properly held to account for the funding they receive. Bids for funding for 2009/10 have been reviewed and approved by members of the Community Engagement and Citizen Focus Sub Committee.

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 CPEGs 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 CPEGs 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 Sub Committee’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.

Within the MPS there are accounting arrangements in place for partnerships and these are specified in the finance manual. Budgets and fixed expenditure are separately accounted for in the finance system and monthly reviews and a year-end review of financial and operational performance of partnerships are carried out by Finance Services. With regard EU partnerships there is guidance and specific grant terms and conditions that have to be complied. The Service has agreed a Partnerships Strategy and work on developing a partnership toolkit to assist Business Groups is nearly complete, with a launch

scheduled for May 2009.

#### **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. 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. .

- **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 2008/09 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, with the Committee receiving regular reports on governance issues at its quarterly meetings. During 2008/09 in addition to the regular update reports on governance and risk issues the Committee also received a number of reports on risk management including the new joint risk management statement and arrangements to enable Corporate Governance to monitor risk management in the Service.

The Committee reviews and approves the Annual Governance Statement for inclusion in the Annual Statement of Accounts and receives 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 and as part of the review and maintenance of an effective governance framework the Committee monitors key standard indicators on a regular basis. During 2008/09 in addition to the regular reports the Committee received on standard indicators the Committee also investigated a complaint made against the Chair of the Authority.

- **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 2008/09 the Director of Internal Audit is of the opinion, taking into account all available evidence, the adequacy and effectiveness of the control environment in the Metropolitan Police Service continues to fall below an acceptable standard. Key controls have either not been applied, applied inappropriately or not applied in time to provide an adequate and effective control environment.

- **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 2008/09 the annual letter highlighted amongst other things the need to keep the Authority's financial position and the strength of reserves under review; improve the system of internal control and compliance with financial regulations; integrate business and financial planning; further integrate cost and performance data and continue to improve arrangements for securing value for money. The letter also made reference to the value for money conclusion issued in September 2008. This concluded that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. This represents an improvement on 2006/07 when the value for money conclusion was qualified due to weaknesses in the Authority's arrangements for maintaining internal control.

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

Her Majesty's Inspectorate of Constabulary HMIC is charged with promoting the effectiveness and efficiency of policing, improving performance and sharing good practice nationally. HMIC delivered inspections in several areas during 2008/09, these included inspections of the London-wide delivery key aspects of policing. Neighbourhood policing and citizen focused policing were both found to be meeting the standards

required, and major crime was found to be exceeding the standards required. There were three local borough inspections to follow up progress on recommendations previously made (Camden, Greenwich and Havering). There were also several joint inspections of custody all of which found much good practice, but also significant areas for improvement.

- **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 and a plan to address weaknesses and ensure continuous improvement of the system is in place.

#### 4. Significant Governance Issues

	<b>Governance Issues</b>	<b>Action</b>
1	<p>Although the MPS have made improvements in ensuring risks are appropriately analysed and dealt with at command unit level, the following concerns remain:-</p> <ul style="list-style-type: none"> <li>• There remains a disconnection between operational level risk management and risk management by the top of the MPS.</li> <li>• Highest-level risks are inadequately identified and not linked to the key strategic drivers.</li> <li>• Top management have been developing a high-level Risk Register but at the time of writing the Register is incomplete and still 'work-in-progress'</li> </ul>	<ul style="list-style-type: none"> <li>• Further develop the Authority's oversight of risk management in the MPS</li> <li>• To embed further risk management in OCU's and the MPA</li> <li>• Roll out throughout the MPS the programme of risk management currently being developed</li> <li>• To develop further risk registers within the MPS</li> <li>• Development of an effective risk management escalation process</li> </ul>
2	<p>Whilst there have been improvements in control around procurement, through for example the implementation of a contracts database, and the revised procurement strategy there remains areas of significant concern. Such as:-</p> <ul style="list-style-type: none"> <li>• Use of contracts either not let competitively or extended on a single tender basis.</li> <li>• Continued difficulties in recruiting sufficient procurement professionals which has had an</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a detailed implementation plan to ensure effective delivery of the new procurement strategy</li> <li>• Increase member oversight of procurement issues including delivery of the procurement strategy and compliance issues.</li> </ul>

	adverse impact on the ability of the MPS to keep on top of the tendering and contract management processes.	
3	The control environment is not at an acceptable level as highlighted by (a) the Director of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control (b) the external audit annual letter that highlighted amongst other things the need to improve the system of internal control and compliance with financial regulations.	<ul style="list-style-type: none"> <li>• Increase oversight on issues raised in audit and inspection reports both at Corporate Governance Committee and the MPS performance board</li> <li>• Continue the roll out of risk control and fraud awareness training</li> </ul>
4.	A standardised approach to engaging with communities needs to be developed to enhance opportunities for London's communities to express their views and to work in partnership with others to ensure policing is delivered appropriately.	Undertake a review of the MPA/MPS community engagement strategy

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