



Metropolitan Police Authority

ANNUAL GOVERNANCE STATEMENT

Position as at 31 March 2011 including plans for the financial year 2011-12.

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 the way 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 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 2011 (England) Regulations 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.

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 2011 and up to the date of approval of the statement of accounts.

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

Met Forward Two is the Authority's strategic mission. Providing details of the strategic priorities within which the Authority will operate over a three year period, it enables the Authority to discharge its functions effectively and ensure delivery of the policing plan and other key priorities.

Underpinning Met Forward Two is the Policing London Business Plan. This key document describes how the Authority and the MPS will deliver policing services to London over a three year period and gives details of, priorities and objectives; past performance and future performance targets; funding and use of resources and work to support continuous improvement. Full Authority agrees the plan on an annual basis.

Within the MPS the corporate values, Management, Governance and Performance Boards, the Corporate Strategic Assessment, budget and business planning processes and annual service conference are all used to inform decision making, establish priorities and consider strategic issues.

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

Met Forward, the Authority's three year strategic mission for policing priorities in London was recently reviewed and Met Forward Two, which builds on the success of Met Forward, has been published. Met Forward Two continues the work strands for Met Forward and also includes a new strand Met Oversight and Governance, which has been developed to ensure sufficient preparation for a new model of policing in London and to prepare for the implementation of the Mayor's Office for Police and Crime. In addition to two new strategic outcomes; "protect the most vulnerable from harm"; and "deliver a safe Olympic and Paralympic Games in 2012" have been added to the three existing priorities.

Governance of Met Forward has also been reviewed, the existing committee structure and their workplans continue to support delivery of Met Forward Two with the MPA Business Management Group (Chaired by the Chair of the Authority) acting as the Met Forward Programme Board. In addition, all committee reports must now consider implications of Met Forward.

The annual review of the local code of corporate governance framework has highlighted the need for some minor revisions.

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.

Within the MPS the Performance Board is responsible for monitoring key performance areas. In addition the Strategic Crime and Incident Recording Group drive improvements through a crime and incident data quality improvement programme.

The Authority regularly reviews budgets throughout the financial year to ensure they represent best use of resources. Budgets are reviewed both as part of the business planning process, with all business groups' 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. Additional oversight is provided by the Resources and Productivity Sub Committee.

Within the MPS investment decisions are, depending on financial limits, considered by the Governance Board and Management Board which also receive regular monitoring reports on capital and revenue budgets.

As part of the Policing London Business Plan the MPS have also been required to demonstrate cashable efficiency savings of 10.3% over the 3 year period 2008/09 – 2010/11. 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 reviewing 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.

The Authority's statement of members' role, responsibilities and expectations increases members' awareness of their roles and responsibilities, thereby improving their effectiveness as members of the Authority.

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 members are offered training on standards and the code of conduct as part of the induction process. The Authority's Standards Committee have developed key standard indicators that are used to monitor ethical and good practice standards in the Authority.

Following a review the Authority now has in place a set of Standards, replacing the previous values and behaviours. These are designed to help all officers build positive working relationships, ensure high performance, and to help in challenging bad behaviour. The Authority's SMT have issued a statement on their commitment to the Standards and a toolkit has been developed to help both managers and staff in their use.

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. This is now supported by a joint anti-fraud strategy which details the planned approach to managing the risk of fraud across all areas of the Authority and MPS. The strategy and a supporting implementation plan were approved by Corporate

Governance Committee in December 2010, with progress reports being made on a quarterly basis.

Within the MPS the Professional Standards Directorate are the lead for this area, with the MPS Professional Standards Strategic Committee overseeing strategy and policy and managing risk.

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 and contract regulations 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 2010 with the Full Authority approving the revisions in June 2010.

Within the MPS financial instructions, and the scheme of delegation are reviewed and updated regularly to ensure they remain fit for purpose. There are also procedure notes and manuals in place for all key systems which are also reviewed regularly.

The 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 strategy.

There is a joint Authority and MPS risk management strategy, setting out the objectives, responsibilities, processes and support mechanisms for risk management and providing a framework within which the work of both the Authority and the MPS fits. Underneath the strategy sits processes for identification and evaluation of risks and programmes of activity to manage or mitigate risk.

Within the Authority there is a risk register and more detailed financial risk register which are reviewed regularly by the Senior Management Team and Business Management Group (BMG). Corporate Governance receives quarterly updates on the Authority's risk register.

Within the MPS there is a corporate risk register, MPS risk management policy and an MPS risk maturity model in place, with risk management maturity assessments carried out annually

Undertaking the core functions of an Audit Committee

The 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. The Committee also provides a forum to discuss areas of concern raised either by internal or external audit as well as Health and Safety oversight.

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.

In response to the review of the effectiveness of the Corporate Governance Committee undertaken during 2009/10 the Committee has implemented a number of changes to increase its effectiveness during 2010/11. These included receiving and reviewing briefings on key emerging strategic and financial risks, reviewing more detailed internal audit reports, approving an anti fraud strategy and implementation plan, receiving concise and timely reports and the Chair meeting with the External Auditor. Mapping assurance functions and receiving reports from other internal review agencies remain areas for further development.

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. The role of Monitoring Officer is now undertaken by the Authority's Solicitor.

Professionally qualified staff occupy key roles throughout the Authority and the MPS with external advice sought as and when needed.

Regular reports are made to the Authority on compliance with current initiatives and external requirements, with Directorate of Audit Risk and Assurance (DARA) reporting on the effectiveness of the organisation's systems of internal controls and making recommendations for improvement.

Within the MPS, all reports to Management Board, Performance Board and Governance Board must consider legal implications and the scheme of delegation requires consideration to taking legal advice from the Directorate of Legal Services before the MPS enters into any form of commitment. There is a Policy Management policy which is reviewed and amended every three years and Management Board members own and are collectively accountable for all corporate policies. Finance Services undertakes strategic inspections to ensure compliance with internal policies and procedures. The MPS Business Card policies and procedures and cardholder limits are kept under constant review and compliance reviewed on a monthly basis.

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. Complaints made against members are investigated by the Standards Committee.

Within the MPS the Customer Service Team provides a central point for the receipt of complaints. Complaints are investigated, monitored and, where applicable, critical cases are escalated. There is a risk register to monitor and review high risk cases and ensure investigations are effective. The Authority has access to the MPS's complaints database and regular reports are provided to the MPA Professional Standards and Complaints Committee.

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 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. DARA 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 ensures that work related and personal development objectives of all staff within the Authority are properly identified, managed and monitored.

A new member assessment and development process has been put in place. All members now receive an annual assessment of their individual performance, including an optional training needs analysis, supplementing the training offered as part of the induction programme for all new members and the regular lunchtime briefings. In addition a member development programme is currently being developed.

Within the MPS the Personal Development Review process identifies, manages and monitors the work related and personal development opportunities for all staff. Induction, training and skills programmes are in place to support this development. There are also structured induction/probation programmes and mandatory training for new supervisors and line managers and leadership development programmes and interventions for team leaders and Management Board members. The human resources scorecard reports are discussed at the monthly Performance Board.

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

The MPA and MPS are committed to getting Londoners involved in and giving

them a say in how they are policed with a range of different methods being used to engage and involve individuals, groups and communities. London wide this includes policing plan consultation, corporate independent advisory groups and community consultation forums. Borough wide this includes community police engagement groups, community advisory groups and stop and search community monitoring groups. At ward level this includes safer neighbourhood panels in every ward, street briefings and youth panels and safer schools partnerships. In addition targeted engagement takes place at both a London wide and borough wide level.

In July 2010 the joint MPA/MPS Community Engagement Commitment 2010/2013 was approved at Full Authority. The Commitment recognises that effective community engagement is fundamental to the policing of London and sets out to build on the MPS confidence objectives, plans outlined in the MPA's three year strategy, MET Forward and the MPS Diversity and Equality Strategy.

The Community, Equalities and People Committee ensures 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.

Following the success of the first round of Joint Engagement meetings a second round commenced during 2010/11, with key borough stakeholders being brought together with the Authority's Chair to facilitate joint problem solving on issues relating to violent crime.

Incorporating good governance arrangements in respect of partnerships

Strengthened governance arrangements for Community Policing Engagement Groups (CPEGs) are now embedded ensure the groups are properly held to account for the funding they receive. The CPEGs delivery against objectives for 2010/11 and bids for funding for 2011/12 have both 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 assigning a link officer to each of the 32 CPEGs. This helps ensure 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 is a Partnerships strategy supported by a web-enabled partnerships toolkit, which provides guidance for all partnership working, MPS finance regulations and specific guidance for EU funding bids. As well as a partnerships best practice network, a partnership central steering group has been set up which has representation from across the Authority and MPS. A partnerships central database is in place which is updated quarterly and links in with the Medium Term Financial Plan (MTFP) and monthly revenue forecast. This database is also used to assess and manage risks.

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 taking into account the work of DARA. 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. During the 2010/11 Corporate Governance did not refer any reports to Full Authority for consideration.

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 Audit Risk and Assurance and managers within the MPS who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2010/11 the officers of the Authority have placed reliance on this review and the MPS's resulting Annual Assurance Statement.

The MPS also continues to drive improvements in its corporate governance framework through a work programme developed following a gap analysis against the CIPFA/SOLACE framework. Progress against this work programme is reported to the Authority on a quarterly basis.

Corporate Governance Committee

The Authority has delegated responsibility for reviewing and maintaining the effectiveness of the governance framework to the Corporate Governance Committee, with the Committee receiving regular reports on governance issues at its quarterly meetings. In addition to the regular update reports on governance and risk issues, the Committee received a number of reports on specific governance issues in 2010/11. This included regular reports on progress made in reviewing and investigating the potential misuse of MPS Amex charge cards, a report on the workshops jointly provided by MPA officers and the Audit Commission aimed at raising fraud awareness in the MPA/MPS. The committee also approved the anti-fraud strategy and supporting implementation plan.

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.

The Standards Committee met twice in 2010/11. In addition to the regular standard indicator reports, the committee also considered reports with regard the Coalition Government's proposals in relation to the abolition of Standards for England, an update on politically restricted posts and an update on progress made in implementing recommendations of the Directorate of Audit, Risk and Assessment (DARA) report on MPA members' allowances and expenses.

The Assessment Sub-Committee of the Standards Committee convened twice during 2010/11 and considered complaints two members of the Authority, in both cases deciding that no further action was needed.

Directorate of Audit, Risk and Assessment

In maintaining and reviewing the governance framework, the Treasurer places reliance on the work undertaken by DARA and in particular DARA reports to the Chief Executive and the Corporate Governance Committee and the Director of Audit and Risk and Assurance's independent opinion on the adequacy and effectiveness of the system of internal control. For 2010/11 the Director of Audit and Risk and Assurance is of the opinion, taking into account all available evidence, that the internal control environment has continued to improve and this has been achieved during a period of significant change. However her overall assessment shows it is not fully effective.

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 2010/11 the annual letter highlighted, amongst other things, the need for members to be provided with robust and timely information on the savings required, plans and progress on delivery. It recommended that the Authority monitor the financial position and delivery of delivery of 2010/11 financial targets; and keep the projected medium-to-longer term financial position under close review The letter also made reference to the unqualified opinion given by the District Auditor in relation to both the financial statements and value for money conclusion, noting that the Authority and MPS had managed the first stage of transition to International Financial Reporting Standards well

In addition to the above other review/assurance mechanisms such as Her Majesty's Inspectorate of Constabulary who are charged with promoting the effectiveness and efficiency of policing, improving performance and sharing good practice nationally and 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 significant governance issues is in place as detailed in section 5 below.

Significant Governance Issues

	Governance Issue	Action
1	Under proposals within the Police Reform and Social Responsibility Bill the MPA will be abolished and the Mayor's Office for Policing and Crime established. At this stage the proposed governance arrangements for the locally elected policing body (MOPC) have not been clearly defined and continue to be developed.	Put in place robust arrangements in line with the local code of corporate governance to support the MOPC in discharging its statutory duties and obligations under the new model for policing governance and accountability.
2	The MPS has developed an effective risk management framework supported by a plan for improvement but it is not yet embedded and operating consistently across the organisation.	Build on progress made to date and continue to implement the plan for improvement. Increase the level of risk maturity, working towards fully embedding risk management across the MPS.
3	The internal control environment has continued to improve and this has been achieved during a period of significant change but it is not yet	Continue effective Corporate Governance Committee oversight. Increase focus on underlying risk

	fully effective.	and control issues that lead to control failures. Map corporate assurance framework, identifying the key risk areas across the MPS and MPA and the sources of assurance.
4	The MPS's change programme and savings framework continues to be developed to deliver the £600m savings required to meet the anticipated impact of the 2010 comprehensive spending review.	Effective MPA and MPS oversight of the Change Programme Portfolio. Monitoring the delivery of savings and the realisation of benefits. Ensuring alternative proposals are put in place where necessary to address any potential shortfall identified.
5	The procurement control framework has improved considerably. However, key controls need to be fully embedded and consistently applied before the framework can be assessed as fully effective especially with regard to compliance and contract management.	MPA/MPS continue to monitor delivery of DRM workstream objectives to ensure key procurement controls are fully embedded throughout the MPS. Increasing compliance and the effective management of contracts to provide greater assurance on value for money.

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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Kit Malthouse
Chair of the
Metropolitan Police Authority

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Catherine Crawford
Chief Executive of the
Metropolitan Police Authority