



Metropolitan Police Authority

Corporate Governance Committee 12 December 2011

ANNUAL GOVERNANCE STATEMENT – QUARTERLY UPDATE

Report by the Treasurer

Summary

In accordance with the Accounts and Audit (England) Regulations 2011 the MPA is required to undertake a review at least once a year of the effectiveness of its system of internal control and approve the annual governance statement (AGS). The AGS includes details of governance arrangements, highlighting how effectively they are being deployed and identifying significant governance issues and actions being taken to address them.

This report provides the Corporate Governance Committee with an update on progress in addressing the significant governance issues included in the statement of accounts for 2010/11.

A. RECOMMENDATION

That members note the progress in addressing the significant governance issues included in the 2010/11 Annual Governance Statement for the MPA.

B. SUPPORTING INFORMATION

1. In accordance with the Accounts and Audit (England) Regulations 2011 the MPA is required to undertake a review at least once a year of the effectiveness of its system of internal control and approve the annual governance statement (AGS).
2. In line with the new Regulations the annual governance statement now accompanies the statement of accounts, rather than being included with the accounting statements. However, the content and purpose of the AGS remains the same, detailing the governance arrangements the MPA has put in place to ensure that its business is conducted in accordance with the law and proper standards, including arrangements for the management of risk.
3. As in previous years the Metropolitan Police Service (MPS) has produced a separate statement, now known as the Annual Assurance Statement. This includes details of governance arrangements within the MPS as well as what was included in the past in the MPS Statement of Internal Control. In producing the Annual Governance Statement reliance has been placed on the Annual Assurance Statement.

Significant governance issues

4. During 2010/11 the MPS have continued to strengthen their corporate governance arrangements through implementation of the corporate governance framework. However there are areas where further improvements are needed as evidenced by the review of effectiveness. This review, identified four significant governance issues within the MPS which are as follows:-
5. Whilst the MPS has developed an effective risk management framework supported by a plan for improvement it is not yet embedded and operating consistently across the organisation.
6. The internal control environment has continued to improve and this has been achieved during a period of significant change but it is not yet fully effective.
7. Significant savings totalling £600M need to be delivered by 2014/15 to meet the reduction in grant announced as part of the 2010 comprehensive spending review.
8. 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 compliance and contract management.
9. In addition the review identified the need for the MPA to develop new governance arrangements in response to the Police and Social Responsibility Act, which will abolish the MPA and replace it with the Mayors Office for Policing and Crime. A separate report on the MOPC governance arrangements is submitted to this meeting of the Committee.
10. An action plan to address these issues has been produced and is attached at **Appendix 1**. This includes an update on progress made in implementing each of the actions.

C. OTHER ORGANISATIONAL AND COMMUNITY IMPLICATIONS

Equality and Diversity Impact

1. The Authority will ensure that equality and diversity issues are fully considered in the Annual Governance Statement.

Consideration of MET Forward

2. Effective governance is essential in delivering Met Forward

Financial Implications

3. Effective governance arrangements are essential in ensuring effective financial management.

Legal Implications

4. The action plan addresses progress in addressing the governance issues included in the Authority's Annual Governance Statement published in accordance with the Accounts and Audit (England) Regulations 2011 whereby, there is a statutory responsibility for the Authority to publish a statement of internal control.

Environmental Implications

5. There are no direct environmental implications arising from this report which is submitted as part of the Governance process.

Risk Implications

6. Implementation of the action plan will ensure that risks associated with the various governance issues included in the Authority's Annual Governance Statement for 2010/11 are mitigated.

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Background Papers: None

	Governance Issue 2010/11	Agreed Action	Progress to date	Deadline
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.	<p>The MPA has set up a MOPC Board to monitor implementation of the MOPC. Chaired by the Chief Executive the board meets fortnightly to review progress of the various workstreams and take necessary actions.</p> <p>In addition the MPA Chair is a member of the Home Office Transition Board, along with the MPA Treasurer (reflecting his national role) and the MPA Chief Executive Chairs the group overseeing change in London.</p> <p>The final draft of the Home Office Code of financial code of practice for ministerial sign off will be completed shortly. This is a key document in determining the MOPC governance arrangements. Officers within the MPA remain confident that all necessary governance arrangements will be in place prior to transition to the MOPC on January 16th.</p>	31 December 2011

	Governance Issue 2010/11	Agreed Action	Progress to date	Deadline
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.	<p>Build on progress made to date and continue to implement the plan for improvement.</p> <p>Increase the level of risk maturity, working towards fully embedding risk management across the MPS.</p>	<p>A corporate risk management implementation plan is in place which is supported by implementation plans in all business groups. Activities against these plans are progressing well.</p> <p>It is proposed to carry out maturity assessments from Jan to Mar 2012 building on the success of the 2010/11 process. These will assess the level of improvement in risk management maturity across the MPS and refresh business level implementation plans to ensure that the MPS continues to embed risk management.</p>	<p>Complete</p> <p>April 2012</p>

	Governance Issue 2010/11	Agreed Action	Progress to date	Deadline
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 fully effective.	<p>Continue effective Corporate Governance Committee oversight.</p> <p>Increase focus on underlying risk and control issues that lead to control failures.</p>	<p>Monitoring through MPS Performance Board has resulted in a reduction of 74% in outstanding audit recommendations in 12 months with just 7 high risk recommendations outstanding.</p> <p>Greater links have been established between risk management and assurance processes with the categorisation of all audit recommendations/actions into risk themes to inform inspection activity.</p> <p>Good examples of the focus on underlying risk and control issues are:</p> <ul style="list-style-type: none"> • The establishment of a joint MPA/MPS Fraud Forum which shares best practice and maximises opportunities to prevent and detect fraud. This is accompanied by regular monitoring and reporting to Corporate Governance Committee of an Anti-Fraud Implementation Plan. A further series of 10 Fraud Awareness Workshops are planned in liaison with the Audit Commission and MPA for approx. 350 officers and staff. The workshops will be targeted towards appropriate attendees, e.g. Procurement staff. • Culture of compliant purchasing embedded, with Purchase To Pay (P2P) compliance consistently at greater than 90% for both value and volume. 	<p>Ongoing</p> <p>Complete</p> <p>Q4 2011/12</p> <p>Ongoing</p>

	Governance Issue 2010/11	Agreed Action	Progress to date	Deadline
3.	<p>The internal control environment has continued to improve and this has been achieved during a period of significant change but it is not yet fully effective.</p> <p>(Continued)</p>	<p>Increase focus on underlying risk and control issues that lead to control failures. (continued)</p> <p>Map corporate assurance framework, identifying the key risk areas across the MPS and MPA and the sources of assurance.</p>	<ul style="list-style-type: none"> F&R2 Project is on track to introduce revised and improved ways of working, including a Central Buying Team and Central Expenses Team which will result in consistency and minimise potential for non-compliance. <p>Key MPS risk areas are identified through risk management, organisational learning, corporate social responsibility and compliance processes. Work is ongoing to ensure that these processes are appropriately integrated.</p>	<p>1st Feb 2012</p> <p>Ongoing</p>
4.	<p>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</p>	<p>Effective MPA and MPS oversight of the Change Programme Portfolio.</p> <p>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.</p>	<p>All major change programmes have well represented and effective programme boards which report to MPS corporate boards at regular stages for decision and ratification (e.g. business case approval).</p> <p>MPS Group Finance continues to monitor the delivery of savings and change. The Capital and Revenue Budget Monitoring Report now provides a progress update on the major change programmes and the forecast savings arising from them. This report is provided to MPS Management Board and MPA Finance and Resources Committee on a monthly basis.</p>	<p>Ongoing</p> <p>Ongoing</p>

	Governance Issue 2010/11	Agreed Action	Progress to date	Deadline
5.	<p>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..</p>	<p>MPA/MPS continue to monitor delivery of DRM workstream objectives to ensure key procurement controls are fully embedded throughout the MPS.</p> <p>Increasing compliance and the effective management of contracts to provide greater assurance on value for money.</p>	<p>Increased compliance being achieved through:-</p> <ul style="list-style-type: none"> • Introduction of a new sourcing system (S2P) which will embed procurement SOPs/MPA Regulations & standard templates into a single system. All tendering will be conducted on-system (inc. evaluation) with built in approvals. This will further embed compliance to procurement policy/procedure. • New system report developed (September 2011) to actively report spend outside contract as well as identifying spend, which when aggregated, is over devolved procurement levels (£50K). This report will be launched Jan 2012 to help proactively monitor contract compliance. • Use of CompeteFor mandated from 1 July 2011 for purchases between £500 and £50,000 where there is no corporate contract in place. As at September the MPS is now the largest user of CompeteFor. • No Po No Pay launched 3rd October. This will help ensure all expenditure is financially committed on system. All supplier invoices which do not reference a PO will be rejected. 	<p>Go-Live January 2012</p> <p>1st Feb 2012</p> <p>Complete</p> <p>Complete</p>