

MAYOR'S FORENSIC AUDIT PANEL

INTERIM REPORT

OVERVIEW

The Mayor's Forensic Audit Panel has started its work, in line with the announcement of its formation on May 8, 2008.

Further work is required to validate the position but it does appear that the London Development Agency has been historically an organisation where success was measured by money out rather than objectively observed results. The newly-appointed management team is concerned that there have in the past been inadequate project monitoring and poor arrangements to test the ultimate outcomes of projects and extract lessons for future work.

There appear to be questions over whether the Board of the LDA was effective in its stewardship of the organisation and whether the GLA's oversight of the LDA was correctly positioned. There would appear to be a lack of clarity over the relationships between the two organisations. The governance structures of both organisations, and the way in which they interlink, are being closely examined.

Significant efforts have recently been made by senior executives at the LDA to try and institute more effective management and governance arrangements. The new interim chair and chief executive are proposing further reforms to governance and financial regulation. We strongly support this and will be making observations on these plans in our final report. It may be that there is a need to redefine the LDA's objectives and their delivery route if maximum value for money is to be achieved for London.

INTRODUCTION

The Forensic Audit Panel was convened to look at the financial management, probity and efficiency of the GLA and the LDA.

It consists of Patience Wheatcroft (chairman); Patrick Frederick, Stephen Greenhalgh and Ed Lister. Andrew Gordon, of PriceWaterhouse Coopers, is retained as independent advisor to the Panel and provider of forensic accounting expertise.

The Panel has met regularly, both at City Hall and the LDA offices and conducted meetings with advisors and officials. It has also been granted widespread access to documentation. The Panel's work is ongoing with member reporting on specific issues:

Governance (Patrick Frederick)

Expenditure (Ed Lister)

Scope of the LDA (Stephen Greenhalgh)

THE LONDON DEVELOPMENT AGENCY

Background:

Towards the end of 2007, the London Evening Standard produced a series of articles by Andrew Gilligan, alleging impropriety at the LDA. The LDA had already been alerted to certain irregularities and been in correspondence with the police over two cases. The Metropolitan Police decided to investigate six separate organisations which had been recipients of LDA grants. Two of these will not be proceeded with but four continue to be the subject of investigation.

The LDA itself has now commissioned the law firm DLA to investigate 25 different organisations that have received LDA funding for a total of more than 60 projects.

Panel investigations:

We have talked at length with the LDA management and found concern that there has been a lack of robust governance surrounding the management of grant funded projects. We are now looking at several projects in depth to determine how projects were assessed for grants; how and if they were monitored and how they were evaluated.

Earlier this year the consulting firm Deloitte reported to the London Assembly on six cultural projects. Their findings also highlighted concerns over how projects were monitored and controlled and the extent to which they delivered against original projections.

Political interference:

We are investigating the extent to which the Mayor's advisors exerted pressure on the LDA for various decisions to be made and what the consequences of this may have been. However, it appears that they would have been within their rights to do so. They are employed to help the Mayor achieve his objectives and the LDA is charged with delivering on those objectives. There is concern, however, over the management of such intervention and a view that more effort is needed to establish effective protocols to enable this interaction to occur in an appropriate manner.

Structure:

We believe that the structure of the LDA is not currently geared to achieving optimum results and we will be making proposals for a different design which should enable proper, robust governance.

The Mayor is already investigating whether offices in Beijing, Shanghai, Delhi and Mumbai are delivering value for money.

THE GREATER LONDON AUTHORITY

The GLA is responsible for Transport for London, the London Fire and Emergency Service, the Metropolitan Police, the Olympic Delivery Authority and the London Development Agency.

The Mayor sets strategy for London and each body develops its own supporting strategy for Mayoral approval. The Mayor can delegate his power to his political advisors. The use of that delegated power has in the past been criticised in the media and we are investigating whether there should be firmer guidelines on the role and accountability of advisors.

We are currently examining the governance arrangements over the relationship between the GLA and the LDA, which appear to be a cause for concern. In our final report we will make recommendations on how these might be improved, noting the possible implications for the other bodies within the group.

We are also looking at the checks and balances on the power of the Mayor and the governance of the GLA. We are, for instance, looking at how a project such as Caribbean Showcase, which took place in Hyde Park on the same day as the Notting Hill Carnival, funded largely by the GLA and LDA, came into being. This project has this week become the subject of a police investigation.

Expenditure:

Last year a total budget of £12 billion came under the direct influence of the Mayor. Total funds (including grants, taxes and other funding) of around £8.3 billion were routed through the GLA and a further £3.7 billion of external funding was paid directly to the four functional bodies, the Metropolitan Police, The LDA, the London Fire and Emergency Service and TfL.

Around £80 million is spent by the GLA itself.

Initial investigations lead us to believe that efficiency savings could be made on this budget and we are now examining specific sectors, including regular consultancy payments. In the last financial year the GLA spent £4.7 million on consultants.

Initial investigations indicate that there may be duplication of functions among the various GLA constituent groups. We will be looking at potential rationalisation.

Grant-giving:

The GLA makes grants, as does the LDA, sometimes to the same projects. There are many other grant-giving bodies in London. We are looking at the scope for rationalisation.