

MOPACMAYOR OF LONDON
OFFICE FOR POLICING AND CRIME

MPS-MOPAC JOINT AUDIT PANEL

3 October 2022

MPS MOPAC Joint Audit Panel Annual Report 2021-22

Report by: Chair, Joint MOPAC/MPS Audit Panel

Report Summary

Attached is the draft Annual Report of the MOPAC/MPS Joint Audit Panel, summarising the work of the Panel for the period July 2021 to July 2022. There is also reflection of key developments under the tenure of the current Chair, Suzanne McCarthy, as her second term comes to an end in November 2022.

Key Considerations for the Panel

- The Panel concluded it has been constituted and operates in line with the Financial Management Code of Practice and has effectively discharged its responsibilities in line with its Terms of Reference.
- In concluding, the Panel noted it had 'continued to oversee and press for key improvements in the effectiveness of the internal control environment supporting delivery of policing priorities and objectives. Effective governance will play a key part in supporting the significant level of planned and anticipated change and the joint Audit Panel will provide appropriate support, challenge and assurance in continuing to drive further improvement'.
- The Terms of Reference (Annex A to the Report) for the joint Audit Panel have been amended to accurately reflect its role in reviewing financial strategies and accounts.
- The recommended key areas of focus for the Panel for the coming year are highlighted in the report.

Interdependencies/Cross Cutting Issues

Updates on the MOPAC and MPS Governance Improvement Plans considered at this meeting.

Recommendations

The Audit Panel is recommended to note and formally agree the contents of the draft report, including the key areas of focus for the coming year.

1. Supporting Information

1.1. Attached is the draft Annual Report of the Joint MOPAC/MPS Audit Panel (the Panel) which covers the period July 2021 to July 2022.

1.2. The Panel concluded that it has been constituted and operates in line with the Financial Management Code of Practice. It has made amendments to its Terms of Reference to ensure it remains fit for purpose in line with best practice. The Panel received and considered reports and briefings in the following areas of MOPAC and MPS business in meeting its Terms of Reference:

- Internal Control Environment and Governance Arrangements
- Risk Management
- Assurance Framework
- Internal and External Audit
- Financial Governance and Reporting
- Rebuilding Trust and Confidence Governance
- MOPAC Commissioning Framework
- Commercial Framework and Decision-Making Governance
- MPS Transformation Programme
- Equalities, Diversity and Inclusion
- Integrity, Ethics, Fraud and Corruption
- Safety and Health

1.3 The Panel has identified the following key areas of focus for the coming year that will contribute to the effective discharge of its duties and oversee the increase in effectiveness of MOPAC and MPS governance, risk and internal control arrangements:

- Governance arrangements supporting rebuilding, trust and confidence and wider reform of the MPS.
- Increasing effectiveness of MPS's risk management and corporate assurance across the organisation.
- Further development of the Ethical Framework, including Professional Standards and Counter Corruption.
- MOPAC's and MPS's Governance Improvement Plans – continuing to focus on timely implementation and prioritisation of those areas that will have the greatest impact on improving governance and the internal control environments.
- Embedding the MOPAC oversight framework supporting delivery of the PCP.
- Attaining level 4 in Health and Safety maturity assessment.

2. Equality and Diversity Impact

There are no direct equalities implications arising from this report. The Panel is responsible for overseeing the effectiveness of the framework in place to discharge statutory requirements for equalities and diversity and to ensure continual improvement in this area.

3. Financial Implications

There are no direct financial implications arising from this report. The Panel has a role in overseeing the financial reporting process, reviewing the Audit of the Annual Accounts and independently scrutinising arrangements supporting financial performance.

4. Legal Implications

There are no direct legal implications arising from the report. The Panel oversees the effectiveness of frameworks in place for ensuring compliance with statutory requirements.

5. Risk Implications

There are no direct risk implications arising from the report. The Panel provides independent assurance on the adequacy and effectiveness of MOPAC and the MPS risk management frameworks.

6. Contact Details

Report author: Suzanne McCarthy, Chair, Joint MOPAC/MPS Audit Panel.

7. Appendices and Background Papers

Appendix – The Draft Joint MOPAC/MPS Audit Panel Annual Report for 2021-22.

M O P A C

MAYOR OF LONDON
OFFICE FOR POLICING AND CRIME



**METROPOLITAN
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Joint MOPAC/MPS AUDIT PANEL

Annual Report 2021/22

Introduction

This report highlights the work of the joint Audit Panel in meeting its Terms of Reference for the period July 2021 to July 2022. There is also reflection on key developments under the tenure of the current Chair, Suzanne McCarthy, as her second term comes to an end in January 2023.

The Panel is comprised of four members independent of both MOPAC and the MPS. The Chair is supported by Jon Hayes who will shortly complete one term and Graeme Gordon and Reshard Auladin who will have served two terms when their tenures end in March 2023. An open recruitment exercise is underway to secure the required new appointments and ensure that the new Panel members have the necessary mix of skills and experience needed to effectively discharge the Panel's role.

The purpose and remit of the Panel was drawn up in line with recognised best practice as set out in the Home Office's Financial Management Code of Practice. The joint Audit Panel advises both the Deputy Mayor for Policing and Crime (DMPC) and the Metropolitan Police Commissioner in accordance with good governance principles. It is responsible for enhancing public trust and confidence in the governance of MOPAC and the MPS and in assisting MOPAC in discharging its statutory responsibilities in holding the MPS to account and in the delivery of the Mayor's Police and Crime Plan (PCP). It provides independent assurance to both the DMPC and the MPS Commissioner and does not duplicate or replicate the work of oversight activity within MOPAC or the MPS.

At the Chair's first meeting in March 2017, the Panel reviewed and revised its Terms of Reference, in particular to clarify its role in providing assurance on the effectiveness of the frameworks supporting delivery of the PCP and transformational change in the MPS and arrangements for ensuring Panel effectiveness. The planned duration of Panel meetings was extended to enable full consideration of both MOPAC and MPS business. The Terms of Reference have continued to be reviewed annually with the Panel this year making further amendments to better reflect its current role. The current Terms of Reference are attached at Annex A.

The Panel is aware that this has been a particularly challenging year for policing in London as the COVID-19 pandemic continued to impact on the work of both MOPAC and the MPS with national restrictions being lifted early in 2022. The PCP was extended for a year due to the delay in the Mayoral election with the Mayor's new PCP for London finally published in March 2022. Recruitment of a new Commissioner took place following the departure of the Commissioner in April 2022. The conviction of the MPS officer for the abduction, rape and murder of Sarah Everard and the findings of a number of critical reviews of police conduct and standards has impacted on public trust and confidence in the MPS. In July 2022 HMICFRS also announced the MPS had been placed in the 'Engage Process' under its annual PEEL assessment.

Conduct of Meetings

The Panel met quarterly (virtually during the pandemic) adhering to its agreed rolling work programme, considering standing items and new areas of business with agendas set to facilitate more in-depth, thematic reviews of key areas of risk. In April 2022 the Chair wrote to the DMPC and MPS Commissioner confirming the Panel's current key areas of focus,

noting their increased relevance and importance in rebuilding public trust and confidence. These were:

- Enhancing risk management to increase the level of risk maturity across the MPS.
- Development of the MPS Corporate Assurance Framework, including how it supports organisational learning and risk mitigation.
- Developments in the ethical framework, including professional standards and counter corruption.
- Effectiveness of the framework supporting implementation of the MPS STRIDE Strategy.
- Implementation of the MOPAC oversight framework supporting delivery of the new PCP.

Agendas and the conduct of Panel meetings were set to enable increased consideration and scrutiny of progress being made in these areas and to support the development of governance arrangements for rebuilding trust and confidence.

Senior executives of the MOPAC Board and MPS Management Board attended each meeting along with Internal and External Audit. Other senior officers attended as required to report on their area of specialism. In writing to the Commissioner, the Chair relayed the importance of engaging more directly with those accountable for governance, risk management and delivery within an operational context and continues to seek a more constant operational policing presence at each meeting of the Panel. The Chair met with the DMPC following each meeting and is due to meet with the new MPS Commissioner. Regular meetings with the Director of Audit, Risk and Assurance (the Head of Internal Audit for MOPAC and the MPS) took place with External Audit continuing to have direct access to the Chair.

In addition to formal meetings, the Panel commissioned and attended briefings on key specific topics throughout the tenure of the Chair, which this year included; MPS Wellbeing Strategy, MOPAC Oversight Framework, MPS Counter Corruption Strategy and Framework, MPS Transformation, Development of the MPS Equalities, Diversity and Inclusion Strategy and Framework and the MPS Risk Management Framework. This facilitated in-depth analysis, discussion and review of key areas of business.

The content and presentation of papers have improved following the advice of the Panel with more clear and concise reporting. The Panel does, however, recognise the challenge of overseeing key developments across two organisations, and has continued to explore opportunities to streamline reporting further. The record of meetings, actions and relevant papers are placed in the public domain on the MOPAC website.

MOPAC and MPS Audit Panel Work Programme 2021/22

Internal Control Environment– Governance, Risk Management and Internal Control Framework

The Panel has considered the Annual Governance Statements and supporting Governance Improvement Plans for both MOPAC and the MPS, noting the level of improvements made each year. At the instigation of the Panel, there is greater clarity on actions and timescales to address the areas of improvement identified with the Panel considering progress made at

each of its meetings. The Internal Audit annual opinions for MOPAC and the MPS were also considered.

Reports reflected progress made whilst acknowledging further work is needed to improve the effectiveness of internal control environments supporting delivery of policing priorities and objectives, which includes governance, risk management and internal control arrangements.

Risk Management – Supporting Delivery of PCP and MPS Business Plan

The Panel has considered the assessment and management of key strategic risks for MOPAC and the MPS and the development of the respective risk management frameworks. Undertaking ‘deep dive’ analysis into the key risks and mitigation in areas such as Violent Crime, Information Management, Financial Risk, Legitimacy and Trust and Confidence. This year the Panel reviewed the revised MOPAC risk management approach implemented to support the new PCP, which continues to embed. It also considered plans to improve the effectiveness of risk management across the MPS, which has not yet achieved the required level of maturity. The Panel also increased its scrutiny of how both MOPAC and the MPS assure themselves on the effectiveness of the measures in place to manage and mitigate key strategic risks.

Assurance Framework

The Panel increased its focus on the implementation of agreed management actions responding to internal audit and HMICFRS review activity, overseeing improved implementation with work continuing to ensure that prompt action is taken in the highest areas of risk. Progress has been made in capturing the themes arising from review activity, the Panel has, however, sought more definitive corporate action to address the underlying causes/control weaknesses and to help senior management better understand the assurances that are in place. This will better inform organisational learning and prevent a reoccurrence of issues, which has become of increased importance as time has progressed.

Equalities, Diversity and Inclusion

The Panel has been both consistent and robust in pressing for clarity in the development of the framework supporting delivery of the MPS’s Equalities, Diversity and Inclusion Strategy. As well as formal reports, it has received separate briefings from various leads, in particular, focusing on the governance arrangements and measures to support successful delivery of the Strategy. A revised and more coherent Strategy was relaunched this year, which is facilitating the development of the more cohesive framework advocated by the Panel. Further reports will be scrutinised covering the work currently underway to define meaningful performance metrics.

Ethical Framework - Integrity, Ethics, Fraud and Corruption

The Panel considered reports on the HMICFRS’s Counter Corruption review and the MPS’s response to specific questions raised regarding the MPS’s Counter Corruption Strategy and actions arising following the Daniel Morgan Independent Panel review. This was supplemented by a separate briefing to enable the Panel to scrutinise the governance arrangements supporting counter corruption activity, which has led to further work by the MPS to streamline and better define key accountabilities and work plans. The Panel has also considered a number of reports on the counter fraud arrangements within the MPS leading to improvements in the definition of strategy and action plans supporting delivery.

Arrangements for reporting all instances of fraud both internally and to the joint Audit Panel have not yet been clarified and implemented.

The Panel held a dedicated strategic discussion on how internal and external reviews and action plans are being governed by the MPS and overseen by MOPAC to support rebuilding trust and confidence, which demonstrated the complexity of arrangements in place. It has continued to receive updates on the risk position and governance improvements made to date with further work planned.

MOPAC Oversight Framework

The Panel oversaw the development of the revised MOPAC oversight model recently implemented to support delivery of the new PCP, receiving reports as part of the formal meetings and attending separate briefings with the MOPAC leads. Governance arrangements for oversight have been streamlined and two distinct Oversight Boards, i) Performance and Risk Board and ii) Finance, Change and People Board, created both supported by enhanced data and analysis. The Panel will continue to review further developments in scrutinising MOPAC's governance improvement plan for the coming year.

Internal and External Audit

The Panel reviewed and approved the External Audit Plan and considered the External Audit Annual Letter, ensuring recommendations were addressed. It approved a risk based Internal Audit Plan appropriately aligned to MOPAC's and MPS's strategic objectives and considered the Head of Internal Audit's Annual Opinion, ensuring actions to address areas of improvement are reflected in the respective improvement plans. The Panel also approved the Internal Audit Charter promoting understanding of the role and preserving audit independence.

Regular reports on internal and external audit activity were considered and progress tracked in addressing key issues identified. Internal and External Audit quality has been assured. This included the Panel being provided with additional assurance from the External Auditor of the steps taken to address findings reported by the FRC during the year 2021. The Panel Chair sponsored the External Quality Assessment of the internal audit service, provided by the Directorate of Audit, Risk and Assurance (DARA), carried out by an independent and accredited assessor. The review concluded DARA was in 'Full Compliance' with all professional standards and recognised as one of the leading in-house public sector internal audit services.

Commercial Framework

The Panel has dedicated considerable time and resource to monitoring and driving action needed to address the governance and assurance concerns raised in significant reviews of previous procurement activity undertaken in the MPS with action now being reported as largely complete. Further progress has been made with the implementation of the new Commercial Blueprint and Commercial Functional Strategy and improvement plan now entering its third year. A number of challenges remain both in recruiting specialist expertise and revised business processes need to become further embedded to sustain the improvements made.

MPS Transformation

The MPS transformation programme has continued to be a key focus for the Panel, considering regular updates on implementation and the associated risks and challenges and mitigating actions. The Panel has received assurances on the governance supporting the ambitious portfolio, including the embedding of a revised approach to change management advocated by a 'Stocktake Review' conducted in 2020. Further improvements are now being taken forward under the MPS's Governance Improvement Plan.

Financial Governance and Reporting

The Panel reviewed the Annual Audit of Accounts for 2020/21 reported by the external auditor, noting the unqualified opinions for MOPAC and the MPS on both the financial statements and value for money, and tracking progress in addressing the recommendations made. It has considered reports and separate briefings on the financial risk and overall future funding position and reviewed the Treasury Management Strategy and Outturn Reports. The Panel has also continued to oversee developments in the MOPAC Commissioning Framework with a focus on the evaluation of outcomes and kept under review implementation of the MPS's Commercial Strategy and improvement plan.

The external audit opinions on the financial statements and value for money for 2021/22 will be scrutinised by the Panel later in the year following publication of the Annual Findings Report.

Safety and Health

Reflecting the increased maturity of the health and safety assurance framework and the level of scrutiny of this area, the Panel previously agreed to receive health and safety performance reports on a six-monthly basis. Key reports included updates on the MPS's Health and Safety Culture Maturity Project which aims to achieve level 4 maturity by the end of the Financial Year 2022/23, and on the introduction of a number of new Health and Wellbeing support services.

Conclusion

The Audit Panel has effectively discharged its responsibilities in line with its Terms of Reference. It has continued to oversee and press for key improvements in the effectiveness of the internal control environment supporting delivery of policing priorities and objectives. Effective governance will play a key part in supporting the significant level of planned and anticipated change and the joint Audit Panel will provide appropriate support, challenge and assurance in continuing to drive further improvement.

Areas of Focus for 2022/23

- Governance arrangements supporting rebuilding, trust and confidence and wider reform of the MPS.
- Increasing effectiveness of MPS's risk management and corporate assurance across the organisation.
- Further development of the Ethical Framework, including Professional Standards and Counter Corruption.
- MOPAC's and MPS's Governance Improvement Plans – continuing to focus on timely implementation and prioritisation of those areas that will have the greatest impact on improving governance and the internal control environments.

- Embedding of the MOPAC oversight framework supporting delivery of the PCP.
- Attaining level 4 in Health and Safety maturity assessment.

Suzanne McCarthy

Joint MOPAC/MPS Audit Panel Chair

MOPAC and MPS Joint Audit Panel

TERMS OF REFERENCE

Composition of the Panel

The joint Audit Panel comprises four members, who are independent of the Mayor's Office of Policing and Crime (MOPAC) and the Metropolitan Police Service (MPS). Where it is considered that specialist skills are required, the Panel is able to seek approval from the Deputy Mayor Policing and Crime (DMPC) and Commissioner to add to the membership accordingly.

The executive of MOPAC and a representative of the Command Team of the MPS are required to attend each meeting of the Panel. Attendees will, therefore, include the Chief of Corporate Services; MPS Director of Commercial and Finance; Chief Executive, MOPAC; and the Chief Financial Officer, MOPAC. The Director of Audit, Risk and Assurance (Head of Internal Audit for MOPAC and the MPS), also attends each meeting, along with a representative of external audit.

Purpose

The joint Audit Panel is responsible for enhancing public trust and confidence in the governance of MOPAC and the MPS. It also assists MOPAC in discharging statutory responsibilities in holding the MPS to account, and in delivery of the Police and Crime Plan (PCP) and the transformation of the MPS. This is achieved by;

- Advising the DMPC and the Metropolitan Police Commissioner according to good governance principles.
- Providing independent assurance on the adequacy and effectiveness of the MOPAC and MPS internal control environments and risk management frameworks.
- Overseeing the effectiveness of the frameworks in place for ensuring compliance with statutory requirements, and in particular those in respect of health and safety, and inclusion, diversity and equalities.
- Independently scrutinising financial and non-financial performance to the extent that it affects the MOPAC and MPS exposure to risks and weakens internal control.
- Overseeing the financial reporting process.

Objectives

The Audit Panel has a rolling programme of meetings, typically meeting four times a year (March, July, October, January). In effectively discharging its function it is responsible for:

Internal Control Environment and Governance Framework

- Satisfying itself as to the effectiveness of the internal control framework in operation within MOPAC and the MPS and advising the DMPC and Metropolitan Police Commissioner as appropriate.

- Considering the Annual Governance Statements together with associated action plans for addressing areas of improvement and advising MOPAC and the MPS as appropriate.

Police and Crime Plan (PCP) and MPS Transformation

- Regular review of the risks to the delivery of the PCP and MPS transformation and providing assurance of the effectiveness of mitigating actions.

Corporate Risk Management

- Approving the MOPAC and MPS risk management strategies and frameworks; ensuring an appropriate framework is in place for assessing and managing key risks to MOPAC and the MPS.
- Providing assurance to the DMPC and Metropolitan Police Commissioner as appropriate on the effectiveness of the risk management frameworks in operation.

Financial Reporting

- Considering the financial risks to which MOPAC and the MPS are exposed (including those that relate to treasury management) and approving measures to reduce or eliminate them or to insure against them.
- Reviewing the outcome of the external audit of the Annual Accounts and considering any potential issues raised.
- Considering significant financial strategies (including treasury and commercial management), policies and any changes to them.
- Considering significant accounting policies and any changes to them.

Inclusion, Diversity and Equalities

- Satisfying itself on behalf of the DMPC and Metropolitan Police Commissioner that an efficient and effectively performing framework is in place to discharge statutory requirements for inclusion, diversity and equalities and to ensure continual improvement.

Safety and Health

- Satisfying itself on behalf of the DMPC and Metropolitan Police Commissioner that an efficient and effectively performing framework is in place to discharge legal duties in relation to health and safety and to ensure continual improvement. In particular with regard to the safety, health and welfare of police officers and staff, people in the care and custody of the MPS, and members of the public on police premises or property.

Internal Audit

- Advising the DMPC and Metropolitan Police Commissioner on the appropriate arrangements for internal audit and approving the Internal Audit Charter and Strategy.
- Approving (but not directing) the internal audit annual programme.
- Overseeing and giving assurance to the DMPC and Metropolitan Police Commissioner on the provision of an adequate and effective internal audit service; receiving progress reports on the internal audit work plan and ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk.

- Considering the Director of Audit, Risk and Assurance Annual Report and annual opinion on the internal control environment for MOPAC and the MPS; ensuring appropriate action is taken to address any areas for improvement.

External Audit

- Noting the external audit programme and associated fees.
- Reviewing the external auditor's Audit Findings Report and any other reports, reporting on these to the DMPC and Metropolitan Police Commissioner as appropriate and including progress on the implementation of agreed recommendations.
- Reviewing the External Auditor's Annual Audit Letter making recommendations as appropriate to the DMPC and Metropolitan Police Commissioner.

Integrity, Ethics, Fraud and Corruption

- Reviewing and monitoring the effectiveness of MOPAC and MPS strategies and policies for addressing issues of integrity and ethical behaviour and tackling fraud and corruption.

Assurance Framework

- Considering HMICFRS, external review agencies and any internal inspection reports that provide assurance on the internal control environment and/or may highlight governance issues for MOPAC and/or the MPS.
- Advising the DMPC and Metropolitan Police Commissioner on the effectiveness of the overall assurance framework in place.

Audit Panel Effectiveness

- Annual appraisal of the Audit Panel operations is conducted and an annual report produced and reported to the DMPC and the MPS Commissioner, which is published on the Audit Panel webpage.
- Annual performance appraisals of members are conducted by the Chair of the Panel. An annual performance appraisal of the Chair is conducted by the DMPC and Commissioner, informed by the review of Panel effectiveness.