MPS-MOPAC JOINT AUDIT PANEL
Monday, 16 January 2023, 14:00
New Scotland Yard – Room G3

Membership

Suzanne McCarthy (Chair)
Reshard Auladin
Graeme Gordon
Jon Hayes

Attendees

MOPAC
Diana Luchford, Chief Executive
Kenny Bowie, Director of Strategy and MPS Oversight
Amana Humayun, Chief Finance Officer
James Bottomley, Head of Oversight and Performance

MPS
Clare Davies, Temporary Director of Resources
Michelle Thorpe, Director of Transformation and Temporary Director of Strategy and Governance
Barbara Gray, AC Professionalism
Ian Percival, Director of Finance
Jon Savell, Commander- Professionalism
Aimee Reed, Director of Data

Audit Representatives
External Audit Grant Thornton – Parris Williams, Mark Stocks, Alex Walling
Internal Audit – Julie Norgrove, Head of Internal Audit MOPAC and MPS; David Esling; Lindsey Heaphy

Business to be considered

Contact: Sarah Egan sarah.egan@mopac.london.gov.uk

The next meeting of the Audit Panel is scheduled to be held on 27 March 2023

MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
3 October 2022

Record of the Meeting

PRESENT

Panel:
Suzanne McCarthy – Audit Panel Chair
Reshard Auladin – Audit Panel Member
Graeme Gordon – Audit Panel Member
Jon Hayes – Audit Panel Member

MOPAC:
Diana Luchford, Chief Executive
Kenny Bowie, Director of Strategy and MPS Oversight
James Bottomley, Head of Oversight and Performance
Annabel Cowell, Deputy Chief Finance Officer

MPS:
Roisha Hughes, Acting Chief of Corporate Services
DCS Marcus Barnett (for agenda item 3 only)
DCS James Harman (for agenda item 3 only)
Ian Percival, Director of Finance
Pierre Coinde, Head of Planning and Risk Management
Mark Roberts, Director of Commercial Services
Nick Kettle, Head of Safety, Health and Wellbeing (for agenda item 4 only)

Audit Representatives:
Julie Norgrove, Head of Internal Audit for MPS and MOPAC
David Esling, Head of Audit and Assurance, Internal Audit
Iain Murray, External Audit, Grant Thornton
Parris Williams, External Audit, Grant Thornton

1. APOLOGIES FOR ABSENCE, INTRODUCTIONS AND DECLARATIONS OF INTERESTS

1.1 An apology from Lisa Kitto, Interim Chief Finance Officer, MOPAC, was noted and that Annabel Cowell was attending in her place.

1.2 The Chair noted that it was an extremely busy period for the MPS and MOPAC and a period of transition. The Panel was looking to understand how the changes were being governed at a strategic level. Panel member Reshard Auladin advised that he had attended the first meeting of the Commissioner's Turnaround Board. He said that the Board presented a clear indication of the new Commissioner's priorities. Success would be dependent on the governance structure.

1.3 Roisha Hughes advised that the MPS was establishing new governance strategies and that strategy would flow from the Police and Crime Plan.

1.4 The Chair advised that the Panel was considering developments and the fact that between this meeting and the next was an interval of several months, the Panel had decided to arrange an additional Audit Panel meeting during late November/early December. That meeting would consider:

- The MPS's response to being placed by HMICFRS into the Engage phase of monitoring (action 1 from the 4th July meeting).
- Advice on how the Turnaround Board was delivering [paragraph 6.8 below refers].
- Future reporting requirements for the MPS to provide assurance to the Panel that appropriate action had been taken and the associated governance and risk issues had been addressed.

Actions:

Action 1: Secretariat to organise an Audit Panel meeting in late November/early December 2022.

Action 2: MPS to provide for the meeting:

- An update on the work being undertaken to bring together all the recommendations outstanding in the Met (HMICFRS, DARA etc) and the governance surrounding those; and
- A briefing on the governance arrangements supporting the Met's wider reform plan, including how activities and plans in response to external reviews, including the Casey Review, are being aligned and managed.

Action 3: MOPAC to provide an update of their oversight activity in this area.

2. RECORD OF THE MEETING HELD ON 4 JULY 2022

2.1 The record of the meeting held on 4th July 2022 was agreed. The completed actions were noted.

2.2 The Chair noted the paper the MPS had provided in response to the action from the 4th July meeting - to provide a more detailed response to the recommendations contained in the External Annual Audit Report for 2020/21. In considering those responses, the MPS was asked why programmes were being 'encouraged' to use Key Performance Indicators aligned to the Met Performance Framework rather than mandated.

Action 4: The MPS to advise the Panel why programmes were being 'encouraged' to use Key Performance Indicators aligned to the Met Performance Framework rather than mandated.

2.3 The Chair thanked the MPS for the paper it had provided in response to the action from the 4th July meeting - to present to the Panel a timetable for developing an assurance map.

2.4 The MPS advised that the speed of progress with having assurance plans across the organisation would depend on the resources allocated to this. It was aiming to have six departments mapped in the first six months of 2023. Discussions on resources were taking place in early October. The Panel reiterated how crucial it was for the MPS to develop an organisational assurance map.

3. MPS REBUILDING TRUST AND HMICFRS ENGAGEMENT PROCESS UPDATE

3.1 DCS Marcus Barnett outlined the MPS's work in response to the HMICFRS Engage process, as detailed in the paper presented to the Panel. The MPS was looking at the causes of the issues and he advised that the MPS had identified 3 main themes – leadership and training; capacity and capability; and understanding and addressing demand.

3.2 DCS James Harmen introduced the rebuilding trust section of the paper which included responding to the findings of Baroness Casey's review and Lady Elish Angiolini's inquiry. It also included counter corruption initiatives.

3.3 The Panel noted that good governance arrangements were an important key and that this subject would be discussed in more detail in the additional Panel meeting planned.

Resolved: The Audit Panel noted the MPS's progress in response to the HMICFRS Engage phase and progress as part of the Rebuilding Trust programme, as outlined in the paper.

4. MPS HEALTH, SAFEY AND WELLBEING PERFORMANCE UPDATE

4.1 Nick Kettle introduced the report providing assurance that the MPS had suitable governance arrangements in place to manage health, safety and wellbeing. He noted that work was ongoing to develop the Health and Wellbeing Strategy and was due to be completed by the end of 2022. Once its development was completed, a briefing session for the Panel would be arranged.

4.2 The Panel was advised that the MPS was aspiring to achieve a Level 4 health and safety maturity by the end of 2022/23. It was commencing audits of command units and was anticipating that some would achieve and consolidate a level 4 proactive culture in 2022/23

Action 5: A briefing session to be arranged for the Panel once the Health and Wellbeing Strategy was completed.

Resolved: The Panel noted the contents of the report.

5. EXTERNAL AUDIT UPDATE

5.1 Iain Murray introduced the Grant Thornton report which provided an update on the MPS-MOPAC Joint Audit Plan for 2021/22 and provided the regular Audit Progress Report and Sector Update.

Resolved: The Audit Panel noted the MPS-MOPAC Joint Audit Plan for 2021/22 and Grant Thornton's update report.

6. MOPAC AND MPS GOVERNANCE IMPROVEMENT PLANS

MOPAC Governance Improvement Plan Report

6.1 James Bottomley introduced the report which provided an overview of MOPAC's approach to governance going forward, an outline of the key areas of improvement and the actions in place to address them. He advised that the HMICFRS Engage process was reflected in MOPAC's Annual Governance Statement (AGS).

Action 6: MOPAC to include in its January 2023 Governance Improvement Plan report details of it risk management approach linking project and programme risk to corporate risks.

Resolved: The Audit Panel noted the improvements being made in MOPAC governance through the Governance Improvement Plan.

MPS Annual Governance Statement and Governance Improvement Plans Report

6.2 Pierre Coinde introduced the report which provided the MPS's AGS and the revised Governance Improvement Plans arising from the AGS.

6.3 The Panel was advised that the AGS had been revised to include feedback from the Internal Auditors (the Directorate of Risk and Assurance (DARA)) and the HMICFRS Engage process. The Governance Improvement Plan had been restructured and formulated into one plan to better align to the AGS structure, along the seven CIPFA principles. It would also bring more consistency with MOPAC's approach so that there could be better read across.

6.4 The Panel was updated on the issues relating to the implementation of the new IT, in particular CONNECT and Command and Control.

6.5 The Panel noted implementation of an organisational learning model had a red rating and asked for the MPS's next Governance Improvement Plan update to provide information on this.

6.6 The Panel asked if the Governance Improvement Plan (GIP) brought together all areas of improvement to be addressed at a strategic level and that their next paper make it clear where the GIP links with the high risks on the corporate risk register.

6.7 The MPS confirmed that the issues highlighted in the DARA's annual report were addressed in the Governance Improvement Plan.

6.8 The Panel enquired how the MPS assured itself that when actions were completed, the underlining strategic issue had been addressed. The MPS advised that the new Turnaround Board was getting that assurance. The MPS was asked to provide details of that to the additional Panel meeting [paragraph 1.4 above refers].

Action 7: MPS to include in its Governance Improvement Plan report to the Panel's January 2023 meeting:

- Advice on the implementation of operational learning.
- Clarity on where it links with the high risks on the corporate risk register.

Resolved: The Audit Panel:

a. Noted the new format of the Governance Improvement Plan to align with CIPFA principles and MOPAC's approach.

b. Noted the progress made in the recent quarter – and specifically on some longstanding learning and development actions.

7. MOPAC AND MPS RISK MANAGEMENT QUARTERLY REPORTS

MOPAC Report

7.1 James Bottomley introduced the MOPAC Risk Management Report, which provided an overview of risk for MOPAC, an update on the corporate risk review and the agreed set of corporate risks and control actions. The report noted that resources were the main concern and outlined how that risk was being addressed.

7.2 The Panel enquired how MOPAC measured success in terms of Risk 3 – losing its corporate identity due to hybrid working and diminished office space. It was advised that the staff survey was the main measurement.

7.3 The Panel noted that some risks had a red score, but the control status was marked green and said MOPAC needed to be clear on whether an action was on track. It was agreed that the action plans would contain a target score to make that clearer.

7.4 The Panel also noted that for a number of risks, the control action timescales were 'ongoing' and requested that for this to be useful, there should either be a date of when the control would be in place or a statement that the control was in place.

7.5 It was noted that delivery of the PCP was a priority for MOPAC. The Panel requested that MOPAC's risk report to the Panel's January meeting set out how risks to the delivery of the PCP were captured and assessed.

Action 8: MOPAC to add a target score to the risk action plans and to put dates in the timescale column for when controls would be in place (or confirm that they were in place).

Action 9: MOPAC to include in its risk report to the January 2023 meeting how risks to the delivery of the PCP were captured and assessed.

Resolved: The Audit Panel noted MOPAC's risk management approach.

MPS Report

7.6 Roisha Hughes introduced the MPS's Risk Management Report, which provided an overview of the MPS's corporate risks and the status of their controls. She advised that the corporate risk register had not yet been discussed with the new Commissioner. Key risks were technology, and cyber security and the grey estate.

7.7 The Panel noted that many of the risks had June 2023 as the date for when the target score would be reached. It was also unsure how the risk management system was being used by the MPS to achieve its goals.

7.8 The Panel noted the description of how the MPS assured itself on the effectiveness of controls, but was concerned that it was dependent on risk owners following the guidance and asked how they assured themselves that this guidance was applied in practice. The MPS advised that the Risk and Assurance Board challenged risk owners. The Panel asked that the January risk report include an update on the Risk Maturity Improvement Plan.

Action 10: The MPS to include in its January risk report an update on the Risk Maturity Improvement Plan

Resolved: The Audit Panel noted the MPS's key risks and the governance that was in place to ensure effective management of them.

8. INTERNAL AUDIT QUARTERLY ACTIVITY REPORT

8.1 Julie Norgrove introduced the report summarising the work carried out by the Department of Audit, Risk and Assurance (DARA) since the Panel last met, including internal audit risk and assurance review, advisory work and counter fraud activity.

8.2 The Panel asked about the early learning from the process for the Command Reviews. Julie Norgrove advised that for future reviews, a more structured questionnaire was needed to aid analysis, together with a clearer strategic approach.

Resolved: The Audit Panel considered the outcome of DARA work undertaken to date and the status of current and planned activity.

9. MPS AUDIT AND INSPECTION REPORT

9.1 Roisha Hughes introduced the MPS's quarterly Audit and Inspection Report, providing a summary position of DARA's and HMICFRS's activity and engagement over the last quarter. The MPS advised that it was focussed on identifying and addressing the thematics and root causes that give rise to the recommendations. The Panel noted that many issues needed addressing at the strategic level.

9.2 The threshold for when DARA recommendations would be monitored centrally was outlined, specifically when they were high risk or emanated from a Limited Assurance review. The capacity of the central team was a reason for the threshold, as it was unable to monitor the implementation of all recommendations centrally. The Panel noted that this may have implications for the MPS identifying the underlying, strategic causes for some recommendations.

Resolved: The Audit Panel noted the progress that had been made to track and monitor audit actions and HMICFRS recommendations and areas for improvement.

10. UPDATE ON IMPROVED COMMERCIAL CAPABILITY ACROSS THE MPS

10.1 Mark Roberts introduced the report updating the Panel on the ongoing improvements on commercial capability across the MPS. He noted the degree of business uncertainty in the markets and the impact that was having. The Panel was advised of the Commercial Conscience Initiative launched with the aim of increasing the volume of business the MPS could direct to London-based organisations.

10.2 The Panel noted the senior appointments that had been made within Commercial Services and Mark Roberts confirmed that these people were now in place and were permanent appointees.

10.3 There was discussion regarding compliance with the processes set out in the Commercial Handbook and the governance around commercial decision making. The Panel was advised that a team of directors reviews business cases before they were submitted to the Performance Investment Board.

Resolved: The Audit Panel noted the progress being made by Commercial Services.

11. AUDIT PANEL ANNUAL REPORT 2021-22

11.1 The MOPAC/MPS Joint Audit Panel's draft Annual Report summarising the work of the Panel for the period July 2021 to July 2022 was noted.

12. AOB

12.1 There will be an additional meeting on a date to be scheduled at the end of November/ early December 2022.

The Panel noted the following papers:

13. MOPAC Commissioning Update

14. Treasury Management Outturn 2021-22

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METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
28 November 2022

Record of the Meeting

PRESENT

Panel:
Suzanne McCarthy – Audit Panel Chair
Reshard Auladin – Audit Panel Member
Graeme Gordon – Audit Panel Member
Jon Hayes – Audit Panel Member

MOPAC:
Diana Luchford, Chief Executive
James Bottomley, Head of Oversight and Performance

MPS:
Dame Lynne Owens, Interim Deputy Commissioner
Michelle Thorp, Director of Strategy and Transformation

Audit Representatives:
Lindsey Heaphy, Head of Audit and Assurance, Internal Audit
David Esling, Head of Audit and Assurance, Internal Audit

1. APOLOGIES FOR ABSENCE, INTRODUCTIONS AND DECLARATIONS OF INTERESTS

1.1 Panel member Reshard Auladin advised that he was a member of the MPS's Turnaround Board but noted this was not a conflict of interest.

1.2 The Chair explained that this was an additional meeting arranged at the Panel's request. Given the significant amount of transformation work the MPS was undertaking following the appointment of a new Commissioner and receipt of the HMICFRS's Peel Report, the Panel considered that an update on that work was needed before the Panel's next scheduled meeting in January 2023.

1.3 The Chair thanked the MPS and MOPAC for providing papers and making the time to attend the meeting.

2. MPS's RESPONSE TO EXTERNAL RECOMMENDATIONS

2.1 The Deputy Commissioner introduced the report that provided:

- an update on the work the MPS was undertaking to bring together all report and inspection recommendations that were outstanding;
- the MPS's response to Baroness Casey's interim report into misconduct in the MPS;
- the enhanced governance arrangements supporting the delivery of the recommendations, and the MPS's wider reform plan, including how activities and plans in response to external reviews were being aligned and managed; and
- how the MPS would be assuring itself that, when actions were completed, the underlining strategic issue had been addressed.

2.2 The Deputy Commissioner advised that the transformation work was focussed on the drivers and the root causes of the issues identified by scrutiny bodies, rather than addressing each recommendation in isolation. The Commissioner had identified ten strategic priorities for reform. Responding to the recommendations was being aligned with those.

2.3 The MPS was developing a process to track completion of work by report, by outcome and by theme. There would be a process for gaining assurance that once projects were completed, the intended outcome had also been achieved.

2.4 The MPS was also developing a new performance framework. Improvements resulting from the completion of work should be reflected in improvements in performance. The Panel asked that the MPS provide an update on the development of the performance framework to its January 2023 meeting.

2.5 The Panel was advised that the MPS was applying a risk management methodology to all projects before they were initiated and there was a rolling programme that fed into wider risk management. All programme leads were trained on risk management and assurance.

2.6 The Panel asked about governance and stressed the need for clarity on responsibility for delivery. It was advised that the reorganisation of governance and leadership in the MPS was addressing this.

2.7 In response to a question about the MPS's capability and capacity to undertake root cause analysis going forward, the MPS advised that it would have a rolling 100-day review process that would allow it to check that transformation was continuing in line with root cause analysis.

2.8 There was a discussion of work the MPS was undertaking to ensure that the provider of its training was evolving to reflect the MPS's culture change. Changes to internal communications were also being developed to ensure the whole organisation was engaged with transformation.

2.9 Internal Audit advised that it would, in consultation with the MPS, be reviewing its audit and advisory plans to ensure that they aligned and supported the Turnaround Programme.

Action 1: The MPS to provide an update on the development of the performance framework to the Panel's January 2023 meeting

Resolved: The Audit Panel noted the report.

3. MOPAC'S OVERSIGHT FRAMEWORK

3.1 James Bottomley introduced the paper setting out MOPAC's arrangements for oversight of the MPS and advised that MOPAC was reviewing the oversight framework in light of the appointment of a new Commissioner and the transformation programme.

3.2 The Panel was advised that MOPAC's oversight of the MPS's work in response HMICFRS's Engagement Process for the MPS included attending the Home Office's Police Performance Oversight Group meetings and the MPS's Turnaround Board. MOPAC's Finance, Change and People Oversight Board would also have oversight of the progress with the MPS's transformation. Oversight of the delivery of the Police and Crime Plan was continuing alongside this.

3.3 Diana Luchford advised that there would always be ongoing refinement of oversight and expected the initial review to be completed by January 2023. The Panel asked that MOPAC provide for its March meeting a paper outlining the changes to its oversight of the MPS.

Action 2: MOPAC to provide to the Panel's March 2023 meeting a paper outlining the changes to its oversight of the MPS.

Resolved: The Audit Panel noted the report.

4. AOB

4.1 The date of the next meeting is 16 January 2023.

MPS-MOPAC JOINT AUDIT PANEL
16 January 2023

MPS STRIDE Strategy and Action Plan

Report by: DAC Jane Connors

Report Summary

Overall Summary of the Purpose of the Report

A response from July's action to detail governance supporting the STRIDE Strategy and Action Plan and set out how the MPS would measure the Strategy's impact and success.

Key Considerations for the Panel

The Panel is asked to note the contents of this report.

Interdependencies/Cross Cutting Issues

The Panel is asked to acknowledge the progress that has been made in this area.

Recommendations

The Audit Panel is recommended to:

a. Note the content and on-going actions in line with the strategy

1. Supporting Information

The MPS STRIDE Board has overall governance for the STRIDE action plan. The board not only monitors each action holding Commitment leads to account for delivery, it also captures and shares good practice and activity within the STRIDE space.

To support the STRIDE board each business area has its own STRIDE oversight thus ensuring that STRIDE is a focus throughout the organisation.

As part of the MPS commitment to the National Race Action Plan (NRAP) there is an MPS steering group for the NRAP that feeds into the STRIDE board to ensure there is a dedicated focus on bringing the NRAP into London specifically. This includes considering our current progress against the NRAP and reflecting the activity we are doing by being involved as an ice breaker force.

This is a clear and concise governance that ensures commitment leads are accountable, there is a cascade of activity and sharing good practice.

The new Performance Framework and dashboard development provides oversight of the impact and success of the STRIDE strategy. It also enables wider public and internal scrutiny of activity. It facilitates a focus on outcomes and what activities are having an impact. The new framework incorporates the range of work in the STRIDE strategy including protection, prevention, engagement and learning. This work is in its final stages of development.

The development of a public facing dashboard will facilitate the scrutiny and accountability of the STRIDE work.

2. Equality and Diversity Impact

None identified

3. Financial Implications

No cost implications to the annual work plan for 2023

4. Legal Implications

None identified

5. Risk Implications

6. Contact Details

Report author: DAC Jane Connors

7. Appendices and Background Papers

NA

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METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
16 January 2023

MPS Counter Fraud Strategy and Framework Six-monthly Update

Report by: Commander Jon Savell DPS

<u>Report Summary</u>

Overall Summary of the Purpose of the Report

An update on work undertaken against the MPS Counter-corruption action plan and the MPS/MOPAC Anti-fraud, Bribery and Corruption strategy following the Audit Panel deep-dive held in June 2022 and detailed paper for the July 2022 Audit Panel meeting.

Key Considerations for the Panel

The Panel is asked to note that following last year's Audit Panel deep-dive a review of the two, apparent over-lapping strategies, has taken place and the MOPAC/MPS joint strategy is now more explicitly referenced within the MPS Counter-corruption plan. The joint MOPAC and MPS responsibility for the Anti-fraud, Bribery and Corruption strategy prevents this being totally incorporated into the MPS Counter-corruption plan in order to provide a single over-arching strategy.

Interdependencies/Cross Cutting Issues

The Panel is asked to acknowledge the progress that has been made through the Counter Corruption Learning Group and Op Peridot (MPS response to the HMICFRS Daniel Morgan and counter corruption report and recommendations) in terms of operational improvements to the management of property stores, gifts and hospitality and business interest registers that feature within the Anti-fraud, Bribery and Corruption strategies referenced above.

<u>Recommendations</u>

The Audit Panel is recommended to:

a. Note the content and updates on the strategy review and on-going actions in line with the strategy.

b. Note the update in relation to the responses to the HMICFRS report into counter corruption.

1. Supporting Information

1.1. **Strategy incorporation**. The joint MOPAC/MPS Anti-fraud, Bribery and Corruption strategy dictates joint accountability for the relevant actions to prevent and detect employee theft, fraud, bribery and corruption by MOPAC and Met officers and staff. As a consequence, it is not appropriate for this strategy to be totally subsumed into the Met Counter Corruption Action Plan (CCAP). However it is to be noted that the practical actions and oversight align with the Met '4P' plan in the CCAP. As a consequence, the MOPAC/MPS Anti-fraud, Bribery and Corruption strategy is now explicitly referenced with the CCAP and shown as an appendix. This has been agreed by both MOPAC and Met representatives and changes to the CCAP will be signed-off at the Met Counter Corruption Board

1.2. **Theft & fraud problem profile**. The Met DPS Intelligence Bureau have researched and are in the process of creating a 'Theft & Fraud problem profile' to inform the operational tasking and actions to drive the prevention and detection of offences. This is in support of the wider DPS Risk Assessment and Control Strategy process.

1.3. **Command Assessments**. Following the recommendations in the HMICFRS Daniel Morgan and counter corruption report the Met has undertaken a rigorous review on each BCU/OCU of management of property stores, gifts and hospitality registers and business interest registers through a process of 'command assessments'. This was proceeded by mandated line manager conversations across Frontline Policing which commenced in April 2022. There has been a significant drive on tightening up procedures for the management of seized and found property to reduce the opportunity for theft. Strict compliance with declarations, and the recording of, gifts and hospitality and business interests for officers and staff is now in place. An additional 845 business interests were registered April - September 2022 and are now subject to intelligence reviews (this compares to 374 for same period in 2021).

1.4. **Risk registers**. Met Strategy and Governance are undertaking a review of Business Group risk registers to ensure that the appropriate risks that reflect the MOPAC/MPS Anti-fraud, Bribery and Corruption strategy are in place to provide relevant governance and oversight of control strategies by senior operational leaders.

1.5. **Fraud risk wheel and MOPAC/Met Tactical Liaison Forum (TLF) plans for 2023**. The TLF is the 'operational arm' of the Anti-fraud, Bribery and Corruption Strategic Oversight Group (SOG). The TLF continue to utilise the fraud risk wheel to identify threats and task activity to audit activity and policy compliance. At the next TLF meeting Q4 22/23 the 23/24 review plan will be set to report into the SOG. The fraud risk wheel will be reviewed against the Theft & Fraud problem profile to ensure alignment and consistency. At the December '22 SOG it was agreed that Commercial Services would plan for a commercial assurance and audit of 'low-level' (less than £50k spend) procurement in 2023 to ensure the policy and appropriate scrutiny continues to be effective.

1.6. **Code of Ethics**. Contained within the Anti-fraud, Bribery and Corruption strategy are a number of references to the College of Policing Code of Ethics (CofE) as a guide to the appropriate behaviour and scrutiny expected of all officers and staff. The Audit Panel is asked to note that the College of Policing is undertaking a review of the CofE and ‘relaunching’ a revised Code of Practice in Q1 2023/24. The Met are closely engaged with the College in the development of the Code of Practice and the guidance for applying the Code of Ethics. Through the Met Ethics Committee, chaired by AC Gray, the new Code of Practice and guidance will be rolled out across the Met and the awareness and use of the CofE refreshed for the whole organisation.

2. Equality and Diversity Impact
None identified

3. Financial Implications
No cost implications to the annual work plan for 2023

4. Legal Implications
None identified

5. Risk Implications
As per the update on Corporate/Business Group risk register oversight

6. Contact Details
Report author: Commander Jon Savell, Directorate of Professional Standards
Jonathan.savell@met.police.uk

7. Appendices and Background Papers
NA

MPS-MOPAC JOINT AUDIT PANEL
6 January 2023

External Audit Update

Report by: The Chief Finance Officer and Director of Corporate Services and MPS Director of Finance

Report Summary

Overall Summary of the Purpose of the Report
This paper updates the Audit Panel on the Joint Audit Findings arising from the statutory audits of the MOPAC and MPS financial statements for 2021/22. The report was issued just before the audit of the financial statements was completed. On November 16th the external auditors issued an unqualified opinion and the accounts were signed.

The auditors will provide a verbal update on progress made since the findings report was issued in November.

Key Considerations for the Panel
To note the Action Plan included in the report. Management Responses to these are currently being finalised

Interdependencies/Cross Cutting Issues
The external audit function provides an independent opinion on the statutory accounts and the arrangements for delivering value-for-money which are used as a basis to inform the AGS and governance improvement.

Recommendations
The Audit Panel is recommended to:
a. Note the Joint Findings report for MOPAC and the MPS.

1. Supporting Information

Joint Audit Findings for MOPAC and the MPS - Appendix One

1.1. The report sets out the key findings of the external audit of the MOPAC and MPS financial statements for 2021 22. The report was issued just before the audit of the financial statements was completed. On November 16th the external auditors issued an unqualified opinion and the accounts were signed.

1.2. The findings report includes an action plan, management responses to this is currently being finalised.

1.3. The Value for Money work is ongoing, and due to complete the end of January. Once complete Grant Thornton will issue the Annual Audit report.

1.4. The auditors will provide a verbal update on progress made since the audit findings report was issued in November.

2. Equality and Diversity Impact

There are no equality and diversity implications directly arising from this report.

3. Financial Implications

The proposed audit fee for 2021/22 is £309,529. Of which £169,052 relates to MOPAC and £140,477 relates to the MPS. The final fee is yet to be confirmed. Costs will be met from existing resources within MOPAC and the MPS.

4. Legal Implications

There are no direct legal implications arising from the report.

5. Risk Implications

This paper relates to the corporate risk register entries for resources and value for money

6. Contact Details

Annabel Cowell Deputy Chief Finance Officer and Head of Financial Management MOPAC, Amana Humayun Chief Finance Officer and Director of Corporate Services

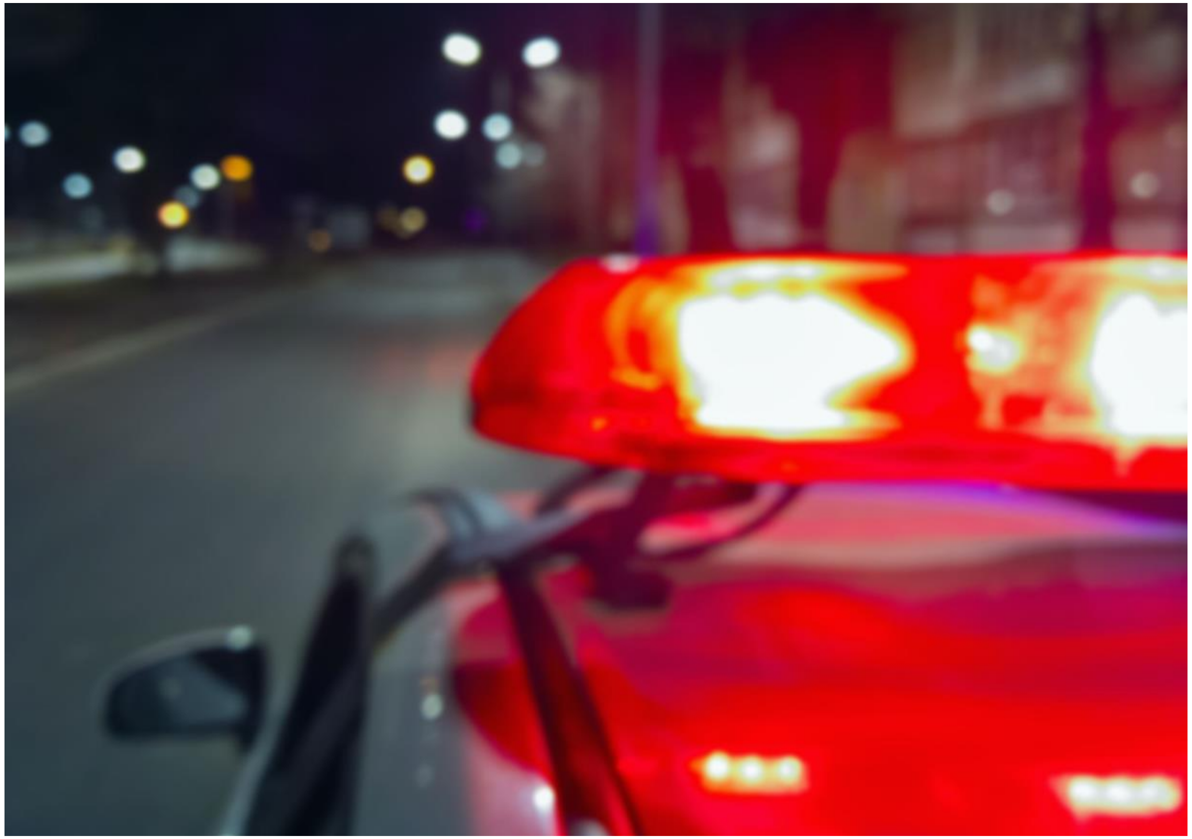
7. Appendices and Background Papers

Appendix 1 - Joint Audit Findings report for MOPAC and the MPS

The Joint Audit Findings for Mayor's Office for Policing and Crime Commissioner of Police of the Metropolis

Year ended 31 March 2022

November 2022



Contents

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Deputy Mayor for Policing and Crime and the Commissioner of the Police of the Metropolis.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect MOPAC, the Group and the MPS or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was
not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audits of the Mayor's Office for Policing and Crime (MOPAC) and the Metropolitan Police Services (MPS) and the preparation of MOPAC and the MPS's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion the financial statements:

- give a true and fair view of the financial positions of the entity's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with each set of audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was substantially completed during July-September. Our findings are summarised on pages 26 to 34.

We have identified one adjustment to the financial statements of MOPAC and the Group. This adjustment has resulted in a £19.6m decrease in the value of a property asset and a £19.6m adjustment to MOPAC and the Group's Other Comprehensive Income and Expenditure. There is no impact on the General Fund and the movement in assets values is adjusted through the Revaluation Reserve.

There have been no adjustments to the financial statements of MPS and no changes to the reported financial position.

We have identified a number of potential misstatements during the audit from our testing to date. Most of these have arisen as a result of errors identified within our sample testing which when extrapolated are above our trivial threshold. They are individually and cumulatively well below our materiality thresholds. Management have decided not to adjust the financial statements as the misstatements are estimated and not material. Audit adjustments are detailed in Appendix C.

We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations previous audits are detailed in Appendix B.

Our work is substantially complete and subject to the outstanding matters detailed on page 4, there are no matters of which we are aware that would require modification of our audit opinion for MOPAC's financial statements (including the financial statements which consolidate the financial activities of the MPS) or the MPS's financial statements.

We have concluded that the other information to be published with each set of financial statements is consistent with our knowledge of your organisations and the financial statements we have audited.

Our anticipated audit report opinions on MOPAC, the Group and the MPS's financial statements will be unmodified. The draft wording for our opinions will be provided in a separate document to this report. We have concluded that the other information to be published alongside the financial statements is consistent with our knowledge of both organisations.

1. Headlines

Financial Statements continued

Our work is also subject to the following closing procedures which necessarily take place within the concluding stages of the audit:

- Final senior engagement team and quality review.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether in our opinion, both entities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is provided as a separate document to this report. We expect to issue our Auditor's Annual Report within three months after the date of the opinion on the financial statements. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in MOPAC and the MPS's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks that arrangements: • are not working effectively to ensure trust and confidence is maintained within the MPS as well as ensuring appropriate arrangements are in place to rebuild trust and confidence within the MPS; and • are not operating effectively to mitigate against delivery of two major transformation programmes relating to the CONNECT and Command and Control programmes which could cause risks to operational delivery as well as significant financial loss and delivery of planned benefits. Our work on these risks are underway and an update is set out in the value for money arrangements section of this report.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audits.	We have not exercised any of our additional statutory powers or duties for either entity. We have completed the majority of work under the Code and we expect to certify the completion of the audits upon the completion of our work on MOPAC and the MPS's VFM arrangements, which will be reported in our Annual Auditor's report in January 2023.
Significant Matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Joint Audit Findings Report presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and those charged with governance.

As auditor we are responsible for performing the audits, in accordance with International Standards on Auditing (UK) and the Code, which are directed towards forming and expressing an opinion on each set of financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's, MOPAC's and the MPS's business and is risk based, and in particular included:

- An evaluation of MOPAC and the MPS's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group (Empress Holdings Limited and its subsidiaries (Empress Holdings Group)) based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that no procedures were deemed necessary over the component company's as the component's are currently dormant and in the process of being liquidated; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

In our audit plan, communicated to you on 6 July 2022 we communicated a reduced materiality for exit packages of £100,000. We would like to clarify that this reduced level of materiality is the determined materiality for senior officer exit packages only.

Conclusion

We have substantially completed our audits of your financial statements and, subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion on the financial statements of MOPAC, the MPS and the group. The draft wording for our opinions will be provided in a separate document to this report.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan however we have clarified that reduced materiality level for exit packages is in respect of senior officer exit packages only.

We detail in the table below our determination of materiality.

	Group (£000)	MOPAC (£000)	MPS (£000)	Qualitative factors considered
Materiality for the financial statements	60,492	60,400	58,000	This benchmark is determined as a percentage of the entity's Gross Revenue Expenditure in year and considers the business environment and external factors.
Performance materiality	42,344	42,280	40,600	Performance Materiality is based on a percentage of the overall materiality and considers the control environment / accuracy of accounts and working papers provided.
Trivial matters	3,025	3,020	2,900	Triviality is set at 5% of Headline Materiality.
Materiality for senior officer exit packages	100	100	100	Due to the sensitive nature of these disclosures we have determined it appropriate to provide a lower level of materiality for senior officer exit packages.

We have determined financial statement materiality based on a proportion of the gross expenditure of the group, MOPAC and the MPS for the financial year. In the prior year we used the same benchmark. For our audit testing purposes we apply the lowest of these materiality's, which is £58,000k (PY £55,500k), which equates to 1.5% of the MPS's prior year gross expenditure or the year

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2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Relates to	Commentary
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. (rebutted)	Group, MOPAC and MPS (rebutted)	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at MOPAC, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including MOPAC, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for MOPAC. For the MPS, revenue is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the MPS's financial statements as a transfer of resources from MOPAC to MPS for the cost of policing services. Income for the MPS is received entirely from MOPAC. Therefore we do not consider this to be a significant risk for the MPS. Conclusion **Our work has not identified any material issues in relation to revenue recognition.**
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. MOPAC and MPS face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	Group, MOPAC and MPS	In response to the risk highlighted in the audit plan we have undertaken the following work: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and agreed to supporting documentation; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Conclusion **We have identified a control weakness relating to the self authorisation of journal postings. Full details of the control weakness identified can be found in Apppendix A of this report.** **We are satisfied from our work performed that there has been no intentional management override of controls that would result in a material misstatement of the financial statements.**

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of land and buildings Current Year Value £1,949m Prior Year Value £1,964m MOPAC re-values land and buildings on a rolling basis over a five-year period to ensure that carrying value is not materially different from current value at the financial statements date. The valuation of land and buildings is a key accounting estimate which is sensitive to changes in assumptions and market conditions. In valuing your estate, management have made the assumption that for a number of sites, in the event they need to be replaced, they would be rebuilt to modern conditions. You have utilised Montagu Evans to value your estate. This represents a significant estimate by management in the financial statements. We have therefore identified the valuation of land and buildings revaluations and impairments as a significant risk, which was one of the most significant assessed risks of material misstatement.	Group and MOPAC	In response to the risk highlighted in the audit plan we have undertaken the following work: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. We have engaged our own valuer to assess the instructions to the group's valuer; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding. We have engaged our own valuer to assess the group's valuer's report and the assumptions that underpin the valuation; • carried out testing of data provided to the valuer to gain assurance if it is complete and accurate; • tested revaluations made during the year to see if they had been input correctly into MOPAC and (group's) asset register; • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end; and • reviewed management's assessment and used market indices to determine whether there has been a material movement in valuation between the valuation date and the year end date. We have quantified the potential movement in the value of land and building assets from 30 September 2021 to 31 March 2022 as being £29m and therefore we are satisfied that there is no material issue arising as a result of land and building assets being valued at 30 September 2021. **Conclusion** We have identified £65.7m of assets which are fully depreciated however remain within the fixed asset register and are no longer in use. Therefore the gross cost and accumulated depreciation disclosed within the property, plant and equipment note in the financial statements is overstated. Management have adjusted for this disclosure error. The adjustment is a disclosure issue only and does not result in a change to the net book value of assets. We have also identified a £19.6m error relating to the valuation of property assets where your external valuer used the incorrect indexation rate when valuing these assets. Management have decided to amend for this error. We also identified errors relating to: • incorrect GIA used by your valuer, this resulted in an extrapolated error of £3.2m; and • incorrect location weightings and land areas being used on assets subject to specific testing, this resulted in an error of £6m. These errors have not been adjusted in the financial statements on the grounds of materiality. Further details relating to adjusted and unadjusted misstatements disclosed above can be found in Appendix C of this report. Our work has not identified any other material issues in relation to the valuation of land and buildings.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of the pension fund net liability Current Year Value £39,246m Prior Year Value £41,121m The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£39,246m in MOPAC, the Groups and the MPS's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.5% change in the discount rate assumption would have approximately 11% effect on the liability. A 0.5% change in the inflation rate assumption would have approximately 8% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the pension fund net liability as a significant risk.	Group, MOPAC and MPS	In response to the risk highlighted in the audit plan we have undertaken the following work: • updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assessed the accuracy and completeness of the information provided by the MPS to the actuary to estimate the liability; • tested the consistency of the pension fund net liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as an auditor's expert) and performing any additional procedures suggested within the report. This included the potential impact of the McCloud/ Sergeant ruling. **Conclusion** **Our work has not identified any material issues in relation to valuation of the pension fund net liability.**

2. Financial Statements - Other risk considerations

Other risks considered	Relates to	Commentary
Risk of fraud in expenditure recognition Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: "As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". (rebutted)	Group, MOPAC and MPS	Having considered the risk factors set out in ISA240 and the nature of the expenditure streams at MOPAC, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because: • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; and • the culture and ethical frameworks of local authorities, including MOPAC, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for MOPAC. For the MPS, expenditure relates to resources consumed in the direction and control of day-to-day policing such as police staff and wages, employee-related expenditure, premises, transport and supplies and services. These expenditure streams and processes are largely automated. Controls have also been designed and implemented to mitigate any fraud within these expenditure streams and therefore the risk of fraud in expenditure recognition is deemed low. Therefore we do not consider this to be a significant risk for the MPS. Conclusion **Our work has not identified any material issues in relation to expenditure recognition.**

2. Financial Statements – issues and risks

This section provides commentary on issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant matters identified during the year.

Issue	Commentary	Auditor view
Self authorisation of journals In 2018/19 MOPAC and the MPS transferred to a new finance ledger system. Management took the decision not to implement a journal authorisation control and therefore users have the ability to post and authorise their own journals. The absence of this control increases the risk that fraudulent or inappropriate journals could be posted without review or detection.	Our review of the PSOP journal control environment identified that there is no control to authorise journals raised by journal users within the MPS and MOPAC finance teams. Journals posted by SSCL however have a separate manual authorisation process where journals are reviewed by another member of SSCL finance team before being posted to the ledger. Prior to the PSOP change, all MPS finance team journals above £10k were reviewed and authorised by another appropriate person. The control objective was to identify, detect and correct errors; either from deliberate fraud or unintentional mistakes. MPS management made the decision to not implement a journal authorisation control for PSOP. This decision was arrived at following an informed management consideration of the control environment, risk appetite and level of risk inherent in this respect. The judgement MPS management put forward is that budget holder review is an adequate compensating control that achieves the same control objective; the premise being significant errors from journals would be picked up by budget holders during their monthly review of the budget as the errors would present as variations to their expectations. Budget holders would then initiate an investigation and such journals will be identified and corrected. In addition, consideration was given to year end journals. Management was satisfied any errors in year end journals would either be detected by a budget holder or, where not within a specific budget holder's remit, would be identified by the review undertaken by central finance in closing the accounts. In the context of the other mitigating controls, the MPS risk appetite, the effectiveness of journal authorisation as a control in itself, and the wider control environment, management have concluded that the absence of journal authorisation control would not lead to a material misstatement in the financial statements.	We have considered management's judgement and do not consider it unreasonable. In doing so we have considered whether budget management review on its own is a sufficiently effective process to meet the control objective: to identify, detect and correct errors originating from journal postings. We took the following into account: • Identification of an error through budget holder review requires there to be a variance to expectation. An erroneous journal can be posted to make *actuals* in line with the budget and therefore such journals would avoid detection. • Not all journals impact budgets i.e. reserves/suspense/holding accounts and so journals posted through these ledger codes will avoid detection. • Journals are often used to mask fraud. Typically, fraud occurs on the '*little and often*' basis and so these journals would avoid detection as they would not present as a significant variance on a budget holder review An effective budget holder review process is dependent on a number of factors. Some key factors are: • the skills and relevant training of the budget holders, • their capacity to perform the procedure • the adequacy of reporting from the system; and • also having regard for the differing levels different budget holders may place on what constitutes a *significant variance* requiring investigation. We have challenged management as to whether there may be a gap in the controls, in light of the above risks. Management's responses (set out in the left hand column) demonstrate that the decision to remove the journal authorisation was part of a considered decision taking into account the control environment, the mitigating controls in place, and the effectiveness of journal control authorisation as a control in and of itself. It was clear this was a judgement made following appropriate management consideration, rather than an oversight within the new system. Management's judgement is that any gap is within the MPS' risk appetite, that the control itself is not, in and of itself, particularly effective, that the benefit of any such control is considerably outweighed by the cost, and the impact on the control environment is not significant. In response to this risk identified we performed additional procedures including: • Review of users posting journals and review of their job role to ensure they are appropriate individuals to be posting journals • Analysis of volume and value of journals posted per user to identify any unusual fluctuations • Added custom routines to our journals testing strategy to target testing on manual journals, clearing accounts and new accounts.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £1,949m	Group and MOPAC	Land and buildings comprises £1,282m of specialised assets such as police stations, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£531m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. MOPAC also hold £135m of other assets (Investment properties, surplus assets, assets held for sale, finance leases and residential properties) which are valued at market value. MOPAC and the Group have engaged Montagu Evans to complete the valuation of properties as at 30 September 2021 on a five yearly cyclical basis. Management have addressed estimation uncertainty by obtaining an interim market report to bridge the gap between valuation performed as at 30 September 2021 and year end date of 31 March 2022. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 March 2022, based on a desktop exercise to determine whether the value of properties has materially changed. Management's assessment of assets not revalued has identified no material change to the property values. We have reviewed management's assessment as well as used market indices to determine whether there has been a material movement in valuation between the valuation date and the year end date. We have quantified the expected movement in value of land and building assets from 30 September 2021 valuation to 31 March 2022 valuation as being £29m and therefore we are satisfied that there is no material issue arising as a result of land and building assets being valued at 30 September 2021. The total year end valuation of properties was £1,949m, a net decrease of £15m from 2020/21 (£1,964m).	We reviewed your assessment of the estimate considering: • Revised ISA540 requirements; • Assessment of management's expert to be competent, capable and objective; • Completeness and accuracy of the underlying information used to determine the estimate; • The appropriateness of your alternative site assumptions which remain consistent with previous years; • Reasonableness of increase/decrease in estimates on individual assets; • Consistency of estimate against the Gerald eve report on property market trends, and reasonableness of the decrease in the estimate; and • Adequacy of disclosure of estimate in the financial statements. All your land and buildings have been appropriately valued by the instructed valuer. There have been no changes in assumptions from the previous years and these are outlined in your accounting policies. Conclusion Management have not disclosed the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation however we deem this to be appropriate as given the nature of capital accounting in the context of local authorities this would not materially influence the reader of the accounts. We have identified a £19.6m error relating to the valuation of property assets where your external valuer used the incorrect indexation rate when valuing these assets. Management have decided to amend for this error. We also identified errors relating to: • incorrect GIA used by your valuer, this resulted in an extrapolated error of £3.2m; and • incorrect location weightings and land areas being used on assets subject to specific testing, this resulted in an error of £6m. These errors have not been adjusted in the financial statements on the grounds of materiality. **We are satisfied that the estimate of your land and buildings valuation is not materially misstated.**	Green

2. Financial Statements – key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Relates to</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr><td>Net pension liability £39,246m</td><td>MOPAC, the Group and MPS</td><td>MOPAC and the MPS's net pension liability at 31 March 2022 is £39,246m (PY £41,121m) comprising the Police Pension Scheme 2015, the 2006 New police Pension Scheme and the Police Pension Scheme all of which are unfunded defined benefit pension schemes.

The group uses Hymans Robertson to provide actuarial valuations of the group's liabilities derived from these schemes. The actuary utilises key assumptions such as life expectancy, discount rates and salary growth. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

There has been a £2,908m net actuarial gain during 2021/22, of which £1,033m has impacted the Comprehensive Income and Expenditure Statement. The remaining £1,875m has decreased the group's unusable reserves.</td><td>• We have obtained an understanding of the processes and controls put in place by management to ensure the group's pension fund net liability is not materially misstated and evaluated the design of associated controls;
• We have assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;
• We have assessed the impact of any changes to the valuation method;
• We have assessed the accuracy and completeness of information provided by the MPS to the actuary to estimate the liability;
• We have used PwC as our auditors expert to assess the actuary and assumptions made by actuary – see table below for comparison with Actuary assumptions.
As assumptions applied have been found to be within the appropriate range by our auditor's expert we have determined the overall assessment of assumptions applied as reasonable.

<table><tr><th>LGPS Assumptions</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>2.70%</td><td>2.70%-2.75%</td><td>Yellow</td></tr><tr><td>Pension increase rate (CPI inflation)</td><td>3.20%</td><td>3.15%-3.30%</td><td>Green</td></tr><tr><td>Salary growth</td><td>3.65%</td><td>3.15%-4.30%</td><td>Green</td></tr><tr><td>Life expectancy – Males currently aged 45 / 60</td><td>Current males: 27.1 years
Future males: 28.4 years</td><td>Current males: 26.6-27.1 years
Future males: 27.7-28.4 years</td><td>Yellow</td></tr><tr><td>Life expectancy – Females currently aged 45 / 60</td><td>Current females: 29.4 years
Future females: 30.8 years</td><td>Current females: 28.7-29.4 years
Future females: 30.1-30.8 years</td><td>Yellow</td></tr></table></td><td>Green</td></tr>
</table>

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Orange] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Yellow] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Net pension liability £39,246m	MOPAC, the Group and MPS	See previous slide.	• We have performed additional tests in relation to the accuracy of contribution figures, benefits paid and member data to gain assurance over the 2021/22 roll forward calculation carried out by the actuary; • We have tested the consistency of the pension fund net liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • We have assessed the reasonableness of decrease in estimate; and • We have undertaken additional procedures to gain assurance that the £343m of 'Other Experience' recognised in your net pension fund liability is reasonable. The £343m of 'Other Experience' reflects the liability increase in relation to the McCloud/Sargeant case. Work performed included bringing forward assurances from the prior year and ensuring key assumptions remain appropriate for 2021/22. Conclusion **We are satisfied that disclosures provide sufficient information to the user of the accounts regarding the estimation uncertainty and key judgements underpinning the valuation of the net pension liability.** **We are satisfied that the estimate of your net pension liability is not materially misstated.**	Green

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Orange] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Yellow] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Other estimates and judgements include: • Property, Plant and Equipment: depreciation including useful life of capital equipment.	Group and MOPAC	Buildings are depreciated in accordance with the valuers estimation of value/remaining life. Equipment including IT is depreciated based on standard lives and estimates from relevant managers and contract lengths where relevant. For existing assets the source data is the carrying value at the start of the year. For buildings this is the revaluation performed at year end. For new assets it is the purchase cost during the year. The point estimate for depreciation is generated by the asset register based on the inputs of costs and expected lives for each asset.	Our work in respect of the estimate of your depreciation charge has not identified any material issues.	Green
• Provisions	Group and MOPAC	The most significant provision on the balance sheet is the provision for Third Party Liabilities. The calculation of the provision required is based on an established approach using the estimated reserve required to settle ongoing cases from system reports adjusted for the differences between amounts reserved and amounts paid out in settlement on recent settled cases. Other provisions will be based on professional judgement using suitable available supporting documentation.	Our work in respect of the estimate of your provisions has not identified any material issues.	Green
• Accruals including the annual leave accrual and Home Office pension top-up accrual.	Group, MOPAC and the MPS	The two largest accruals are the Home Office Pension Top-up and employee annual leave accrual, which are documented below. The remaining balance is made up of smaller accruals from around the business. Accruals will be based on actual information on balances owed (eg. invoices) where possible but in some cases estimates may be used where it is not possible to determine the exact amount to be accrued. Assumptions will vary depending on the accrual however, business accountants will use their professional judgement in determining an appropriate estimate. Source data used will depend on the nature of the specific accrual but is likely to include amongst other things invoices, contracts, timesheets and correspondence with third parties to derive a reasonable estimate.	Our work in respect of the estimate of your accruals has not identified any material issues.	Green

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Orange] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Yellow] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Accruals including the annual leave accrual and Home Office pension top-up accrual (continued)	Group, MOPAC and the MPS	Home Office Pension Top-up Accrual: The accrual is a calculation based on the amount accrued from the previous year, the amount received in cash from the Home Office during the current financial year and the deficit on the Pension Fund Revenue Account at the end of the financial year which is recorded on the ledger. Monthly data is used from the ledger for the return to the Home Office to determine the outturn for the current financial year. This data is prepared by Corporate Finance for review and inclusion in the return submitted by the Pensions Lead in HR. Annual leave accrual: For police officers and PCSO, computer aided resource management system (CARMS) data is taken and ready reckoner pay rates are applied to calculate the accrual. The key assumption made by management is that the average hours of annual leave carried forward per pay band for those officers registered on CARMS is reflective of the hours of annual leave carried forward by Officers not on the CARMS system, the source data used to calculate the accrual estimate for policer officers and PCSO is CARMS. For police staff, samples are selected to determine the average unused leave that is then applied to the population. The key assumption made in calculating the Holiday accrual for Police staff is that the sample data is representative of the entire population. Data derived from these samples is collected through self reporting (holiday entitlement forms). All data is crossed checked and reconciled to HR data. Sufficient numbers of police staff are sampled to ensure that there is a statistically negligible chance that the sample deviates materially from the population from which it has been selected from.	Our work in respect of the estimate of your accruals has not identified any material issues.	Green

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Orange] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Yellow] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
PFI Liability	Group and MOPAC	PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM , are accounted for as 'on-Statement of Financial Position' by the entity. The PFI liability is determined by the original financial model updated for inflation and relevant variations. The source data is derived from the financial model. Estimates are used for un-invoiced variations (or credits for insurance) based on estimates provided at the time of the variation.	Our work in respect of the estimate of your PFI liability has not identified any material issues.	Green
Consolidation of Empress Holdings Limited and its subsidiaries	Group and MOPAC	On 26 March 2018 the Group acquired the entire issued share capital of Empress Holdings Limited and its subsidiaries ("Empress Holdings Group") which holds the freehold interest in the Empress State Building (ESB). As result of this purchase, a judgement was made that the Empress Holdings Group is a subsidiary of the Group, and its assets, liabilities and reserves would be consolidated into the MOPAC Group Accounts. Management proposed that they consider the rights and obligations of the building to now belong to MOPAC and that there was no residual value to the shares owned by MOPAC (i.e. the only value to the shares was the value of ESB). The Empress State Group is in the process of being dissolved, and as a result will be consolidated at nil value until this is complete.	Our work in respect of the judgement made to consolidate the Empress Holdings Group at nil value is deemed appropriate as a result of the dissolution process. We have not identified any material issues as a result of the judgement made by management.	Green

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Orange] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Yellow] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
<u>Invoice Price Variances (IPV)- Operating Expenditure</u> As part of our review of the financial ledger we identified an £8trillion correcting journal that had been posted to the finance system. We investigated this further to understand the prevent, detect and correct controls in place in order to ensure the accounts were free from material misstatement.	A purchase order had been set up incorrectly whereby the unit price and quantity had been incorrectly entered. Once the invoice was received and entered into the system the wrong unit price per the PO was applied and created an invoice price variance (IPV) of £8trillion that was posted to the general ledger. This error was subsequently identified by SSCL and corrected. Prevent controls- the system does not prevent a transaction being recorded when it is exceeds the PO amount however the invoice would not be paid due to the 3 way matching controls in place. The accounting entries will however have been posted to the ledger. Therefore prevent controls are limited. Detect and Correct controls- The SSCL P2P team run monthly reports on IPVs checking for attributes such as the size of the IPV as well as the level of decimalisation (as in this case the decimalisation was wrong), and investigate the IPVs to determine if they are true or there is an error. The P2P team also keep a summary of the total IPVs in each report and the number corrected as an audit trail but also for training purposes. As a secondary control the R2R team will also run an IPV report at month end to check if there are any IPVs they believe the AP Team may have missed and send them over for investigation. There is therefore some level of segregation of duties as two separate teams within SSCL run reports for IPVs and should mean that there is reduced chance of IPVs going uncorrected. The MPS also review monthly budget monitoring reports where any large variances of outturn to budget are investigated and where errors are identified corrections are made.	Although a large error was posted into the financial system we have reviewed the controls in place to prevent, detect and correct misstatements. We are satisfied these controls are designed effectively and as evidenced here were able to identify a material misstatement which was subsequently corrected. Management response TBC

2. Financial Statements – other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Deputy Mayor (for MOPAC) and the Commissioner (for the MPS). We have not been made aware of any incidents in the period that would have a material impact on the financial statements and no other material issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Letters of representation has been requested from both the Deputy Mayor (for MOPAC) and the Commissioner (for the MPS), including specific representations in respect of the following issue: • Confirmation that the total value of covert transactions, covert assets, covert bank and cash balances in the MPS, MOPAC and group financial statements is not material. • Confirmation that the total value of covert assets not capitalised and included in the financial statements is not material.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to: • The Greater London Authority (in respect of short-term investments and long-term borrowings); • National Westminster Bank PLC (in respect of cash held at bank) and; • Lloyds Bank PLC (in respect of a bank account held by Equiniti on your behalf to process police officer pension payments). This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of MOPAC, MPS and the group's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements however further narrative was added based on the judgement made by MOPAC to hold a number of leasehold assets at depreciated historical cost (DHC) as a proxy for depreciate replacement cost (DRC) within the property class of assets. We also identified that the UELs used to depreciate intangible assets were not accurately reflected within the depreciation accounting policy note. Further details of accounting policy adjustments can be found in Appendix A.
Audit evidence and explanations/ significant difficulties	Due to the audit teams lack of security clearance the audit team have been unable to obtain audit evidence in respect of covert transactions and balances which require security clearance level 3. We have identified from review of covert transactions and balances that the total values of transactions and balances are not material and therefore would not represent a material misstatement to the financial statements. We have also requested representations from management to confirm this. All other information and explanations requested from management was provided. We did experience a number of delays for evidence requested which subsequently delayed the completion of the audit.

2. Financial Statements - other communication requirements

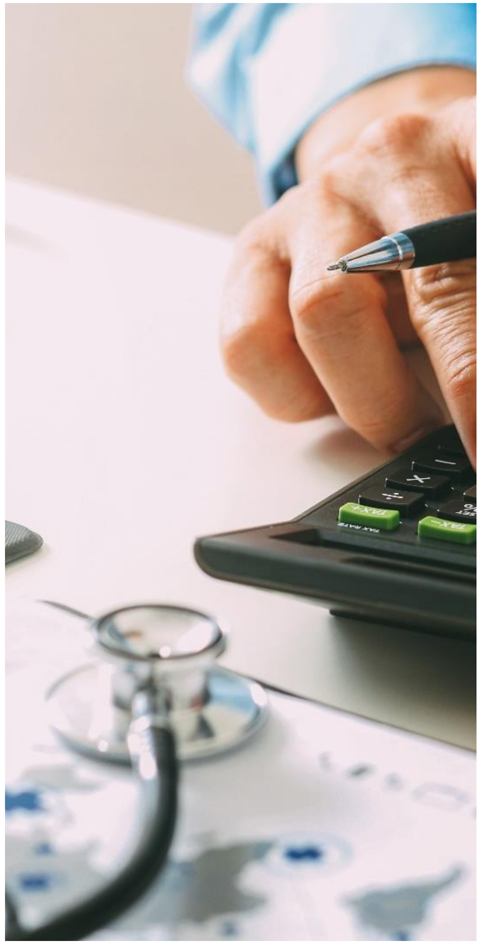
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of MOPAC, the MPS and the group's financial sustainability is addressed by our value for money work, which is covered in our Auditor's Annual Report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by MOPAC, MPS and the group meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of MOPAC, the MPS and the group and the environment in which they operate; • MOPAC, the MPS and the group's financial reporting framework; • MOPAC, the MPS and the group's system of internal control for identifying events or conditions relevant to going concern; and • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified for either the MOPAC, the MPS or the group • management's use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with each set of audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. From our work performed on the other information, some inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect. The draft wording for our opinions will be provided in a separate report.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statements do not comply with disclosure requirements set out in CIPFA/SOLACE guidance or are misleading or inconsistent with the information of which we are aware from our audits, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. We do not have any exceptions to report except for the following: We are in the progress of completing our work in respect of the arrangements in place to secure value for money. We have identified a risk of significant weakness in respect of: • Risk that arrangements are not working effectively to ensure trust and confidence is maintained within the MPS as well as ensuring appropriate arrangements are in place to rebuild trust and confidence within the MPS • Risk that arrangements are not operating effectively to mitigate against delivery of two major transformation programmes relating to the CONNECT and Command and Control programmes which could cause risks to operational delivery as well as significant financial loss and delivery of planned benefits. We will conclude our findings in respect of these risks on completion of our audit work within the auditor's annual report.
Specified procedures for Whole of Government Accounts (WGA)	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA audit instructions. As the group exceeds the specified reporting threshold of £2billion we examine and report on the consistency of the WGA consolidation pack with the group's audited financial statements. Note that work is not yet completed and will complete our work in respect of MOPAC's WGA consolidation pack following the issue of our opinion.
Certification of the closure of the audit	We intend to certify the closure of the 2021/22 audit of MOPAC and the MPS following the completion of our audit opinion, WGA and value for money conclusion work. We intend to certify the closure of the 2020/21 audit of MOPAC and the MPS following the completion of review of the WGA consolidation return.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and update

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached as a separate document to this report. We expect to issue our Auditor's Annual Report by January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in MOPAC and the MPS' arrangements for securing economy, efficiency and effectiveness in their use of resources. We identified the risks set out in the table below. Our work on these risks are underway and our conclusions will be provided within our Auditor's annual Report on completion of our work.

Our risk assessment regarding your arrangements to secure value for money have identified the following risks of significant weakness:

- Risk that arrangements are not working effectively to ensure trust and confidence is maintained within the MPS as well as ensuring appropriate arrangements are in place to rebuild trust and confidence within the MPS
- Risk that arrangements are not operating effectively to mitigate against delivery of two major transformation programmes relating to the CONNECT and Command and Control programmes which could cause risks to operational delivery as well as significant financial loss and delivery of planned benefits.

We are aware that the MPS has been moved into the engage phase of monitoring following substantial and persistent concerns regarding several aspects of performance. We have reviewed the 2021/22 HMICFRS PEEL inspection report and have identified no further risks of significant weakness as part of our initial planning and risk assessment work.

As part of our value for money work we will however update our understanding of your arrangements in place for the following areas:

- Your arrangements in place to ensure a robust financial strategy and secure long term financial sustainability
- Developments in governance frameworks of MOPAC in carrying out your statutory responsibility for oversight of the MPS
- Your arrangements in place to deliver the transformation programme and provide innovation to secure savings and efficiencies for the MPS and MOPAC
- Your arrangements in place to assess and understand drivers underlying organisational performance and learn from past performance to identify areas for improvement.
- Your arrangements in place to produce, monitor and ensure delivery of the Police and Crime Plan.

5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We were notified through a personal declaration that a person closely associated with a member of the audit engagement team had been offered a role as a trainee detective with the MPS and was due to begin their role at the end of the summer period (once vetting clearance has been obtained). We consulted with our internal ethics team and concluded that a perceived threat to independence may exist for the individual working within the audit engagement team for the MPS and MOPAC. We therefore implemented the following safeguards to address this perceived threat to independence:

- We rotated the individual off of the audit engagement team
- We restricted the individual's access to audit files and any other data sharing systems relating to the audit of the MPS and MOPAC
- The individual does not line manage (directly or indirectly) anyone working in the audit engagement team
- All members of the audit engagement team were informed of the threat to independence and notified that no information or discussion of the audit engagement should be held with the individual concerned.

Based on the safeguards implemented above we have concluded that the threat to independence has been mitigated to an acceptable level and therefore conclude we have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and confirm that we are independent and able to express an objective opinion on the financial statements.

Details of fees charged are detailed in Appendix D

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to MOPAC, the Group and MPS. No non-audit services were identified which were charged relating to the 2021-22 financial year.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Appendices

A. Action plan – Audit of Financial Statements

We have identified three recommendations for MOPAC, MPS and the group as a result of issues identified during the course of our audits. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Self authorisation of journals** From our knowledge of your finance system and its control environment we are aware that management have chosen not implement a control which does not allow the self authorisation of journals. From our review of journals that were tested there was appropriate supporting backing to corroborate the posting of the journal. However, where a journal is initiated by the same person who authorises it, this undermines the segregation of duties and weakens your control environment, as it heightens the risk that inappropriate journals are not identified through your authorisation review process. The individual requesting the journal to be posted should not be the same individual who subsequently authorises the posting of the journal.	We are aware that management have other mitigating controls to detect and correct and unusual or fraudulent journal postings however, to maintain effective segregation of duties and authorisation controls, the individual requesting a journal to be posted should not be the same individual who subsequently authorises the posting of the journal. Management should consider implementing a control which ensures journals are reviewed by a separate individual before being posted to the finance ledger. **Management response** TBC
Medium	**Capitalisation of assets** Our discussions held with your internal auditor DARA highlighted that a number of covert assets had not been capitalised within the fixed asset register (FAR) and therefore did not exist within the Balance Sheet. The value of assets not capitalised is not material however a control weakness exists where covert assets are not capitalised on the fixed asset register and therefore are not accounted for.	We are aware that covert assets are sensitive in nature and therefore some details of the assets cannot be disclosed within the fixed asset register. We recommend that all covert assets not capitalised are included in the fixed asset register with non sensitive details such as the value and UEL being included in the FAR. Management should ensure there is a control in place to monitor the purchase of covert assets and how these are accounted for within the FAR and subsequently the financial statements. **Management response** TBC

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Assets Under Construction (AUC) Reclassifications** From our testing performed on AUC reclassifications and AUC closing balances we identified a number of assets which had become fully operational in year or in previous years that had not been reclassified in the correct financial year. There is a risk that the net book value of assets becomes misstated where assets are not classified in the correct asset class in a timely manner and depreciation not charged on the asset once it becomes operational.	Management should ensure that controls are enhanced to capture and record assets once they become operational on a timely basis to ensure the correct accounting treatment for operational assets. **Management response** TBC

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audits of MOPAC and the MPS's 2020/21 financial statements, which resulted in three recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note two recommendations are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<u>Land and Building Valuations</u> Within the financial statements MOPAC has included a policy on valuations whereby the top 20 highest value properties as well as 20% of residual assets are subject to physical inspection by the valuer. We have identified one asset that was omitted from the inspection list of residual 20% of assets (Imber Court Sports Club and Mounted Branch). It is important to recognise that despite not being subjected to a physical inspection, this asset will still have received a full revaluation as every asset has done. Total value of this asset is £14,891k per 19/20 net book value. This is significantly below materiality. Therefore the asset value would have to move by circa 370% in order to constitute a material misstatement within the financial statements. We are therefore content that the fact this property was omitted from inspection will not constitute a material misstatement. This inconsistency does however present a risk that assets are not captured in the rolling review programme to ensure the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period. This is because regular physical inspection ensures greater accuracy of property valuations and reflects better potential impairments and property changes over time. We have concluded from our review that the risk of material misstatement to the financial statements as a result of this inconsistency is less than remote. Recommendation: Management should ensure that accounting policies adopted for property valuations are appropriately applied and that classes of asset are captured for physical inspection on a rolling basis to ensure the carrying value is not materially different to the current value determined at the end of the reporting date.	As part of our testing of land and building valuations we reviewed all property assets to ensure they had been subject to full physical inspection within the last five years in line with CIPFA guidance and your accounting policy. We identified three assets with a cumulative value of £12m that were due for full physical inspection however had not been inspected. We are satisfied that this would not cause a material misstatement to the accounts however a continued control deficiency identified as this continues to pose a risk that assets are not captured in the rolling review programme which could cause a misstatement within the accounts.
X	<u>Plant and Equipment Assets</u> As part of our audit testing we selected a sample of nil net book value (NBV) assets within plant and equipment and noted a number of these assets remained on the asset register at nil net book value as management were unable to identify the relevant asset holder and therefore were unable to conclude whether the asset remained in use or not. Management has shown prudence by keeping these assets on the asset register however there is a risk that gross cost and accumulated depreciation is overstated where an asset is still in use and the useful economic life has not been revisited or should be shown as a disposal or derecognised where the asset is no longer in use. Recommendation: Management should look to improve this process to ensure assets that are no longer in use are removed from the asset register or if still in use, UELs should be updated to ensure the net book value is appropriate.	Management have identified £51m of nil NBV assets that remain on the asset register and are unable to identify whether the asset remained in use. Management have decided to remove these assets from the fixed asset register and therefore an adjustment has been made in the 2021/22 accounts to remove the gross cost and accumulated depreciation of these assets. This is a disclosure adjustment only and does not impact on the net closing value of assets.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<u>Movement in Reserves</u> From our review of the movement of reserves statement we noted a reconciliation difference of £4.3m between the CIES movement and the movement between opening and closing reserves in the balance sheet. This was due to two separate issues: 1) An adjustment made for £1.4m relating to property, plant and equipment that went directly to the Capital Adjustment Account (Unsuable Reserves) however no entry was made through the CIES and therefore was subsequently not accounted for through the MIRS. 2) £2.9m of capital grants which were received however were unapplied and therefore should have been recognised within the capital grants unapplied account. Note 30 Adjustments between accounting basis and funding basis under regulations noted the full amount of capital grants received £35m were applied from useable reserves within only £32m being applied through unusable reserves therefore creating a £2.9m difference between useable and unusable reserves. We are satisfied the reconciling issues identified are isolated to these two areas and therefore is not indicative of a material imbalance within the accounts. An imbalance between reserves could indicate inaccurate accounting entries which presents the risk that there is a gross material error within the financial statements as a result of incorrect accounting entries. We have investigated the reasons for the discrepancy identified in the MIRS and are satisfied that there is no material error as a result of this discrepancy. Recommendation: Checks should be carried out within the quality review stages of producing the financial statements to ensure the CIES movement in year reconciles accurately to the opening and closing reserves movements, any variances identified during this process should be followed up and investigated to ensure there is not any material issues underlying the reconciling difference. As this error will roll-forward into future years it is also recommended that management look to correct this error to ensure future financial statements balance correctly.	Our review of the movement in reserves has found no reconciling issues relating to the CIES movement and movement between opening and closing reserves in the balance sheet. In correcting the prior period error, management have corrected the reserve accounts however the reconciling error has been moved to creditors and therefore there is a £3m balance within creditors which is not a true liability. This is a non-material issue and therefore there is no further adjustment required by management.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Land and Building Valuations Within our testing of property valuations we identified two assets where the valuer had used the wrong indexation rate to calculate the value of the asset. This resulted in a £6,728k overstatement between the calculated value using the wrong indexation rate and the correct indexation rate for Hammersmith Police Station and £12,865k overstatement for Lambeth Support Services. The total error within the financial statements relating to these assets equates to an overstatement of £19,593k. A revised valuation of the assets was provided by your external valuer and management has decided to amend the financial statements to correct for this error. This adjustment has resulted in a £19.6m decrease in the value of a property asset and a £19.6m adjustment to MOPAC and the Group's Other Comprehensive Income and Expenditure. There is no impact on the General Fund and the movement in assets values is adjusted through the Revaluation Reserve.	Group and MOPAC	DR Revaluation Gain/Loss £19,593	CR Property Plant and Equipment £19,593 DR Revaluation Reserve £19,593	Nil
Overall impact		**DR £19,593**	**Nil**	**Nil**

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Expenditure Completeness Our completeness testing of invoices in April 2022 identified one invoice for £3.5k that related to 2021/22 however had not been accrued for in 2021/22 and was accounted for in 2022/23. We extrapolated the error across all invoices coded to April 2022 which resulted in an estimated misstatement of £2,554k. Our completeness testing of bank payments made in April and May 2022 identified one payment for £89k that related to 2021/22 however had not been accrued for in 2021/22 and was accounted for in 2022/23. We extrapolated the error across all payments made in April and May 2022 which resulted in an estimated misstatement of £3,914k.	MOPAC, Group and MPS	DR Expenditure £6,468	CR Creditors £6,468	DR Expenditure £6,468	Non Material Extrapolated Error
PPE Valuations Within our testing of PPE valuations we identified one asset where the gross internal area (GIA) used to inform the valuation was different to the floor plans that were provided by your estates team. This was due to an input error from your external valuer. This resulted in a £453k difference in valuation for this asset. We found no other issues in the rest of the residual sample tested therefore extrapolated the error across the population which resulted in an extrapolated error of £3,197k.	MOPAC and Group	DR Revaluation Gain/Loss £3,197 CR MIRS £3,197	CR Property Plant and Equipment £3,197 DR Revaluation Reserve £3,197	Nil	Non Material Extrapolated Error
Creditors Within our testing of creditors we identified an error relating to the police officer uplift (PUP) grant which was originally mis-posted and then corrected. On posting the correction an error was made where creditors were overstated by £5,705k and debtors understated by £5,705k. This is a classification error only between balance sheet financial statement line items and has no impact on net expenditure.	MOPAC and Group	Nil	DR Creditors £5,705 Cr Debtors £5,705	Nil	Non Material Error

C. Audit Adjustments

Impact of unadjusted misstatements (continued)

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Asset Under Construction (AUC) Reclassifications We tested a sample of assets which had been reclassified from AUC (non operational) to operational assets in year. We identified three samples totalling £885k which had been reclassified in 2021/22 however the asset become operational in 2020/21 and therefore were sitting in the incorrect asset category in 2021/22. We extrapolated this error over the population which resulted in an extrapolated error of £7,532k. We also found similar errors within our key items testing whereby assets had been reclassified in the wrong period, this resulted in classification error of £22,980k. Based on the extrapolated error identified there would be a trivial difference to expected depreciation figures calculated in 2021/22 as a result of this error. Total classification error is £30,512k.	MOPAC and Group	Nil	CR AUC Opening Cost £30,512k DR Plant and Equipment Opening Cost £30,512k	Nil	Non Material Error
Creditors We identified a sample item which related to income due of £5,827k. This was correctly credited to income however the debit was posted to creditors. The correct accounting treatment would have been to debit debtors for income not yet received as at 31 March 2022. This is a classification error only between balance sheet financial statement line items and has no impact on net expenditure.	MOPAC and Group	Nil	CR Creditors £5,827 DR Debtors £5,827	Nil	Non Material Error
Creditors Within our journals testing we identified a journal that was posted to creditors to correct the imbalance identified in the prior year MIRS. This corrected the imbalance in the MIRS however moved the issue to creditors as the £3,326k posted to creditors is not a valid liability. There is currently uncertainty to where the balancing side of the transaction should be posted to therefore where management are unable to identify where the correct side of the credit transaction should be posted to this would be required to be written off through expenditure.	MOPAC and Group	CR Expenditure £3,326	DR Creditors £3,326	CR Expenditure £3,326	Non Material Error / Unknown correction
Property, Plant and Equipment Our discussions held with your internal auditor DARA highlighted that a number of covert assets had not been capitalised within the fixed asset register (FAR) and therefore did not exist within the Balance Sheet. The value of assets not capitalised is not material at £3,349k.	MOPAC and Group	Cr Expenditure £3,349	DR PPE £3,349	Cr Expenditure £3,349	Non Material Error

C. Audit Adjustments

Impact of unadjusted misstatements (continued)

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Creditors We identified two errors within our goods received not invoiced (GRNI) sample testing. The errors occurred where an expense had been duplicated and an expense relating to 2022/23 had been incorrectly accounted for in 2021/22. The total of errors found in GRNI testing totalled £420k. This was extrapolated over the GRNI population which resulted in an extrapolated error of £4,565k. We identified two errors within our accruals sample testing. One sample selected for testing was an accrual to budget and therefore not a valid liability. The second item was a liability where we were unable to obtain sufficient and appropriate evidence to confirm the existence or value of the liability. The total of errors found in accruals testing totalled £1,002k. This was extrapolated over the accruals population which resulted in an extrapolated error of £6,371k. Therefore the total potential overstatement of creditors in the financial statements amounts to £10,936k.	Group, MOPAC and MPS	CR Expenditure £10,936	DR Creditors £10,936	CR Expenditure £10,936	Non Material Extrapolated Error
Operating Expenditure- Accounts Payable During our testing of accounts payable (AP) expenditure we identified seven samples where expenditure relating to 2020/21 had been accounted for in 2021/22 and therefore had been accounted for in the incorrect year. The total value of samples failed equated to £67k. We extrapolated this error over the AP population which resulted in an extrapolated error of £4,272k.	Group, MOPAC and MPS	CR Expenditure £4,272	DR B/F General Fund Reserves £4,272	CR Expenditure £4,272	Non Material Extrapolated Error
Pension Fund Lump Sum Testing During our testing of a sample of pension lump sums we identified variances of £34k between your calculation of pension fund lump sums and our recalculation based on supporting evidence. We extrapolated these variances across the population of pension lump sums which resulted in an extrapolated error of £4,258k.	Police officer pension fund account	CR Lump sum payments £4,258	DR Current Liabilities £4,258	CR Lump sum payments £4,258	Non Material Extrapolated Error

C. Audit Adjustments

Impact of unadjusted misstatements (continued)

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
PPE Valuations We identified two assets where we identified variances in GIA used by your valuer and evidence of GiA provided by the property services team. We also identified two assets where the valuer used the incorrect area and location weighting. This resulted in a total valuation difference of £6,024 for the four assets.	MOPAC and Group	DR Revaluation Gain/Loss £6,024 CR MIRS £6,024	CR Property Plant and Equipment £6,024 DR Revaluation Reserve £6,024	Nil	Non Material Error
Asset Under Construction (AUC) Reclassifications We tested a sample of assets which are included in the AUC (non operational) closing balance to identify whether they were valid AUC assets. From our testing we identified one asset of £154k which become operational in year and therefore should have been reclassified from AUC to operational PPE. The error was extrapolated over the population and resulted in an extrapolated error of £3,826k.	MOPAC and Group	Nil	CR Reclassifications AUC- £3,826 DR Reclassifications- Plant and Equipment £3,826	Nil	Non Material Error
Overall impact		£10,452	(£10,452)	£10,452	

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Property, Plant and Equipment Disposals Based on our testing performed of asset disposals we identified a fleet disposal that had been disposed of in the prior financial year however had not been accounted for as a disposal until the 2020/21 financial year. We identified similar issues in the prior year although this had been extrapolated to below material. Based on our understanding of the process and issues identified in the previous year we are aware this is an issue relating to fleet disposals only as the process for fleet disposals is inherently different to that of other PPE disposals and therefore we have isolated the error to fleet disposals within the disposals population. The delay in processing the fleet disposal occurred as a result of the fleet department sending the disposals spreadsheet late and therefore was not processed in the correct financial year. The total of fleet disposals recorded in 2020/21 is £20.7m therefore even in the unlikely event the full population was incorrect this would not cause a material misstatement. We therefore extrapolated our error of £35k over a total sample tested of fleet disposals of £227k which resulted in an extrapolated error of £3.2m.	Group and MOPAC	2020/21 Impact: CR Loss on disposal £3,205 DR General Fund via MIRS £3,205	2020/21 Impact: DR Plant and Equipment Disposals £3,205 Cr Capital Adjustment Account £3,205 CR Opening Cost PPE Plant and Equipment Assets £3,205 DR B/F Capital Adjustment Account £3,205	2020/21 Impact: Nil	Non-material extrapolated error.
		2021/22 Impact: Nil	2021/22 Impact: Nil	2021/22 Impact: Nil	Error relates to timing issue in 2019/20 and 2020/21 therefore no impact on 2021/22 financial statements.
Goods Received Not Invoiced During our testing of goods received not invoiced we reperformed the reconciliation between the trial balance and the payables ledger and identified a £3,895k reconciling difference. This is a brought forward reconciling difference from prior years as a result of the system migration transfer which has not yet been corrected. Discussions with management identified that a robotic solution for bulk purchase orders has recently been developed however was not operating until post year end and therefore reconciling error was not corrected before the draft accounts were submitted for audit.	Group, MOPAC and MPS	2020/21 Impact: DR Expenditure £3,895	2020/21 Impact: CR GRNI £3,895	2020/21 Impact: £3,895	Non-material error
		2021/22 Impact: Nil	2021/22 Impact: Nil	2021/22 Impact: Nil	Error corrected in 2021/22 therefore no impact on 2021/22 financial statements.

C. Audit Adjustments

Impact of prior year unadjusted misstatements (continued)

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Movement in Reserves (MIRS) From our review of the movement of reserves we noted a reconciliation difference of £4.3m between the CIES movement and the movement between opening and closing reserves in the balance sheet. This was due to two separate issues: 1) An adjustment made for £1.4m relating to property, plant and equipment was accounted for directly to the Capital Adjustment Account (Unsuable Reserves) however, no entry was made through the CIES and therefore was subsequently not accounted for through the MIRS creating an imbalance between usable and unusable reserves of £1.4m. 2) £2.9m of capital grants which were received however were unapplied and therefore should have been recognised within the capital grants unapplied account however, Note 30 Adjustments between accounting basis and funding basis under regulations noted the full amount of capital grants received (£35m) were applied from useable reserves within only £32m being applied through unusable reserves therefore creating a £2.9m difference between useable and unusable reserves. We are satisfied the reconciling issues identified are isolated to these two areas and therefore is not indicative of a material imbalance within the accounts. A control recommendation has been raised in light of these reconciling errors identified (see Appendix A for further details).	Group and MOPAC	2020/21 Impact: Issue 1 DR CIES £1,394 CR General Reserves (MIRS) £1,394 Issue 2 DR Capital Grants Unapplied Reserve (MIRS) £2,871 CR General Reserves (MIRS) £2,871 This is also a disclosure issue relating to the manual adjustment of £2.9m being overstated in Note 30. Adjustments between accounting and funding basis- application of capital grants to finance capital expenditure.	2020/21 Impact: Nil Nil	2020/21 Impact: Nil Nil	Non-material error
		2021/22 Impact: Nil	2021/22 Impact: Nil	2021/22 Impact: Nil	Error corrected in 2021/22 therefore no impact on 2021/22 financial statements.
Plant and Equipment Nil Net Book Value (NBV) Assets As part of our audit testing we selected a sample of nil net book assets of which from a sample of 10 items we identified 7 items that were still in use. We therefore recalculated an expected net book value for the asset based on expected remaining life of the asset which resulted in an extrapolated error of £6.056m.	Group and MOPAC	2020/21 Impact: Nil	2020/21 Impact: DR Accumulated Depreciation £6,056 CR Capital Adjustment Account £6,056	2020/21 Impact: Nil	Non-material extrapolated error.
		2021/22 Impact: Nil	2021/22 Impact: DR Accumulated Depreciation £6,056 CR Capital Adjustment Account £6,056	2021/22 Impact: Nil	
Overall impact		**Nil**	**Nil**	**Nil**	

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Relates to	Auditor recommendations	Adjusted?
Nil Net Book Value (NBV) Assets From testing performed and prior year findings we identified a number of nil NBV assets that remain on the asset register where management are unable to identify whether the asset remained in use. Per management's assessment the total value of assets likely to be no longer in use is £51m. Management have decided to remove these assets from the fixed asset register and therefore a disclosure adjustment has been made in the 2021/22 property, plant and equipment note to remove the gross cost and accumulated depreciation of these assets. This is a disclosure adjustment only and does not impact on the net closing value of assets.	MOPAC and Group	Management have agreed to the disclosure changes.	✓
Note 16.1 Basis of Valuation Final sentence of note is incomplete and refers to transfers of £xxx million.	MOPAC and Group	Management have agreed to the disclosure changes.	✓
Accounting Policies- Note 2.8 Property, plant and equipment Our review of assets classified as property assets which were not revalued related to leasehold improvements. These assets are held at depreciated historic cost (DHC) however it is unclear from the accounting policies that there are material assets that are held at DHC as a proxy for depreciated replacement cost (DRC). Further narrative to inform the user of the accounts is required based on the judgement made by MOPAC to hold a number of leasehold assets at depreciated historical cost (DHC) as a proxy for depreciate replacement cost (DRC) within the property class of assets.	MOPAC and Group	Management have agreed to the disclosure changes.	✓
Accounting Policies- Note 2.8 Property, plant and equipment depreciation We identified that the UELs used to depreciate intangible assets were not accurately reflected within the depreciation accounting policy note. The UEL used to depreciate intangible assets is 8 years as opposed to 3 years currently disclosed within the accounts.	MOPAC and Group	Management have agreed to the disclosure changes.	✓

C. Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure omission	Relates to	Auditor recommendations	Adjusted?
MPS Accounts Note 2.2 and Note 6.3 This note refers to depreciation of property, plant and equipment however as MPS do not hold any assets on balance sheet it is not subject to depreciation in the same sense as depreciation is charged on assets controlled by an entity. As MPS recognise a charge for the assets used this terminology should be updated from 'depreciation' to 'non-cash premises costs'.	MPS	Management have agreed to the disclosure changes.	✓
Note 6 Intra-group transactions We identified an error in disclosure note line for MOPAC- Unusable reserves which is currently disclosed as £39,216m however should be £39,246m as per the pension liability recognised in the Balance Sheet.	MOPAC, Group and MPS	Management have agreed to the disclosure changes.	✓
MOPAC Group MIRS Footnote require to confirm there are no adjustments between the authority and group accounts.	Group	Management have agreed to the disclosure changes.	✓
Note 8 Police officers and police staff remuneration Prior year comparator includes header that prior year is restated. No comparators have been restated and therefore 'restated' should be removed from prior year comparator columns.	MOPAC, Group and MPS	Management have agreed to the disclosure changes.	✓
Note 16.5 PFI Payment Analysis Formula error meant that 2-5 years service charge disclosed in the note was incorrect. This was disclosed as £45,864k however should be disclosed as £55,351k. Header in note also refers to Note 28.1 however, this reference should be corrected to Note 27.1. Header also refers to PFI contracts as at 31 March 2021 however, this should be updated to 31 March 2022.	MOPAC and Group	Management have agreed to the disclosure changes.	✓
Audit Fees Audit fees outlined within the 2021/22 audit plan did not reconcile to the audit fees disclosed in the financial statements.	MOPAC, Group and MPS	Management have agreed to the disclosure changes.	✓
Note 4- Significant estimates and judgements in applying the accounting policies Given the revision in Practice Note 10 and the continuation of provision of services approach, going concern is no longer considered a critical judgement and should be removed from this note.	MOPAC, Group and MPS	Management have agreed to the disclosure changes.	✓

C. Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure omission	Relates to	Auditor recommendations	Adjusted?
Narrative Report We identified a number of changes required to both MOPAC and the MPS narrative reports: • Update required to reflect incoming commissioner as well as individuals who have been fulfilling the commissioner role in the interim • FTE headcount disclosed should be 33,566 compared to 34,542 currently disclosed • Table 1- Variance percentage column has been calculated using variance over the outturn position however should be calculated using the variance to budget • Narrative report refers to £59.1m of underspends however this is same as prior year figure which had not been updated for 2021/22. Report should be updated to reflect current year underspends of £29.4m • MOPAC budget refers to £62.7m for commissioning works however this should be £95.5m to include VRU • Update required to reflect most recent HMICFRS report and movement to 'engage process' • Update included to reflect challenges and risks associated with police officer uplift targets Annual Governance Statement We identified a number of changes required to both MOPAC and the MPS narrative reports: • Update required to reflect most recent HMICFRS report and movement to 'engage process' • Update required to reflect non-compliance with the CIPFA Financial Management Code	MOPAC, Group and MPS	Management have agreed to the disclosure changes.	✓
Various A number of other minor disclosure and presentational amendments were identified and corrected by management	MOPAC, Group and MPS	Management have agreed to the disclosure changes.	✓

D. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Proposed fee	Final fee
MOPAC Audit	£169,052	TBC
MPS Audit	£140,477	TBC
Total audit fees (excluding VAT)	£309,529	TBC

The fees reconcile to the financial statements after disclosure adjustments have been made.

We can confirm that no-non audit or audit related services have been undertaken for MOPAC, the Group and the MPS relating to the 2021/22 financial year.

Grant Thornton

MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
16 January 2023

MOPAC Governance Improvement Plan

Report by: The Director of Strategy & MPS Oversight

<u>Report Summary</u>

Overall Summary of the Purpose of the Report

This report is presented to Audit Panel to provide an overview of MOPAC's approach to governance going forward, outline the key areas of improvement and the actions in place to address them.

Governance Improvement Plan 2022/23
The Governance Improvement Plan is a live improvement plan bringing together the improvements identified in the AGS 2021/22 with those carried forward from the Governance Improvement Plan 2021/22 (last year).

This report provides a Q3 review on MOPACs Governance Improvement Plan, showing completed actions and progress updates on those still live. The full Governance Improvement Plan is included at Appendix B.

<u>Recommendations</u>

The Audit Panel is recommended to:
b. Note the improvements being made in MOPAC Governance through the Governance Improvement Plan.

1. Supporting Information

1.1 Appendix A, the Governance Improvement Plan for 2022/23, collates MOPACs areas for improvement and sets out their source, the specific recommendation they relate to, actions taken or proposed, action owners and a proposed completion date. The areas for improvement identified have been compiled from:

- Outstanding actions from the Governance Improvement Plan 2021/22 which are carried forward into this year's plan.
- Areas identified in the Annual Governance Statement (AGS) in sections marked "What could be improved".
- The DARA Internal Audit Annual Report 2022/23 and subsequent inspection reports.

1.2 This is a live document, refreshed monthly for internal review purposes, allowing leads to set realistic timescales for improvement actions and to capture in year DARA recommendations. A comprehensive annual refresh is undertaken to include AGS outputs.

2. Overview of GIP

2.1 Between the period 1 October and 31 December, one action has been marked as complete and 22 actions reported as on track with target dates that fall in 2022/23. There are currently six recommendations where the initial delivery timescale has been revised, three on hold and eight complete.

2.2 There are 39 work-streams captured in the MOPAC Governance Improvement Plain for 2022/23.

Key Achievements and Areas for Improvement

2.3 Work continues to progress through improvements in MOPAC's governance and control mechanisms, although resourcing pressures have resulted in some timescales being pushed back. Dedicated resource has been prioritised for a number of the improvements within the plan, which will show in expected completion of actions during Q4. Since MOPAC last reported to Audit Panel in October there has been 1 new completed action.

Completed actions:

2.4 **Capital Strategy (G14)** – MOPAC has revised its capital strategy, refreshing and updating the capital priorities in line with new PCP. This work was part of the 2023/24 MOPAC budget submission submitted to the GLA on November 25th and will be presented to Audit Panel in January.

Actions where timescales have slipped:

2.5 **Revising the scheme of consent and delegations (C2 & G3)** – Additional dedicated resource has been identified to progress this piece of work at speed. Once complete, this will need to be discussed with the new Commissioner.

2.6 **MOPAC to articulate and publish its oversight model over MPS financial and operational performance (C4)** - A revised performance management framework was launched in Q2 that links financial information to activity. This will be used to further strengthen the oversight process. The next phase of the financial oversight framework is being developed.

2.7 **Improve and fully embed communication practices to partners (E2)** - work to engage with partners and stakeholders is improving, and MOPAC's technical ability to communicate the impact of its work has progressed – in particular through the new website and move to more video content, but there is more work to do to fully embed these practices and increase its presence in the relationships with London boroughs.

2.8 **Improvements in MOPAC's business support processes (G6 & G7)** - MOPAC have completed all work that is within its control to update the asset register, outstanding actions are now in the hands of the GLA's Technology Group. Progress has been made to ensure staff are vetted within the shared service. The vetting submission has been made and is currently going through the approval process.

3 Equality and Diversity Impact

The governance improvement plan itself contains a number of actions relating to equality and diversity, not least the focus on our EDI strategy.

4 Financial Implications

There are no direct financial implications from this report.

5 Legal Implications

Under the Local Government Act 1999, MOPAC has a statutory duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, MOPAC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, including a sound system of internal control and management of risk.

6 Risk Implications

The paper identifies the key risk areas in the GIP and shows how these are being managed.

7 Contact Details

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8 Appendices and Background Papers

Appendix A – MOPAC Governance Improvement Plan – Official Sensitive

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METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
16 January 2023

MPS Governance Improvement Plan Update

Report by: Director of Transformation

<u>Report Summary</u>

Overall Summary of the Purpose of the Report
This report includes the Governance Improvement Plans (GIPs) arising from the 2021/22 Annual Governance Statement. This is the second update of the GIPs, the previous being tabled at the October 2022 Panel.

Interdependencies/Cross Cutting Issues
The AGS cuts across areas of improvement highlighted through inspections, audits, performance monitoring, risks, and senior leaders' assurance statements. As such, they have significant interdependencies with other Audit Panel agenda items – specifically HMICFRS recommendations, DARA audits, as well as our Risk Management activity and MOPAC's own AGS and Governance Improvement Plan.

<u>Recommendations</u>

The Audit Panel is recommended to:

a. Note the progress made in the recent quarter – including two new areas added since last quarter at the request of DARA.
b. Note the response to specific question raised at the October Panel

1. Supporting Information

1.1. The Governance improvement Plan was restructured for Quarter 1 and formulated into one plan rather than the previous multi-plan document to bring more consistency and correlation with MOPAC's approach.

1.2. Key updates in the past quarter:

1.3. **Learning and Development:** the first phase of the Learning Target Operating Model (LTOM) went 'live' in August 2022, and activity to embed the system continues until March 2023. The Learning Management System (LSM) also went live in August 2022, and is going through a period of stabilisation, with a number of benefits already identified. Significant recruitment challenges have arisen filling technical / specialist roles in L&D. There will be further design activity linked to the Executive Redesign progressed January 2023. The new core investigation (PIP2) programme is on track to go live in February 2023, and public and personal safety refresher training (PPST) in April 2023. An external training content library, called Cornerstone Content Anytime, has been launched for all officers and staff.

1.4. **Standards and Professionalism** Actions from the Rebuilding Trust plan are actively being managed, with 13 completed, 11 formally closed, and 9 continuing within timescales. The recent Command Assessment of Standards, completed by B(O)CU Commanders and Director level management, have been analysed, and results shared internally with process owners, and a draft report including recommendations for improvement is being developed. Other activity in this quarter includes the launch of the anonymous Internal Reporting Line in early November, through the Crimestoppers platform, and an External Public Appeal in late November, to allow anonymous reporting for the public to report police corruption and the abuse of position. The DPS Uplift has continued. Lawful Business Monitoring will commence in January 2023.

1.5. **Organisational Learning (OL).** Work continues to develop OL hubs across the Met, with support from FLP helping secure or prepare for a number of hubs. Limited resourcing continues to be an issue, and a bid for resources still awaits approval. Other activity to develop OL systems is continuing, with the design of an OL app, and high harm / risk learning being developed. The programme is still planned to be in place by Q4 2023/24.

1.6. **Assurance Controls, Levels 1 and 2.** Work has been reprioritised in the last quarter due to the planned CONNECT launch, though a number of smaller policies have been signed off. Activity continues on larger policy review, with an anticipated further delay in the run up to CONNECT drop 2 as all policies need to be compliant with the new system. The role of the Corporate Policy function is being reviewed as part of the Executive Redesign.

1.7. **Digital and data:** activity continues to explore the benefits /.costs to the Met of moving to the DDAT framework. The Open Data strategy has revised timescales due to the impact of both Project Peel and resource limitations. There are now established owners for all assets, with work ongoing to centralise the asset register. Recruitment of analysts with the required skill sets is challenging. Therefore other options have been examined, including the use of interns or temporary recruitment from Reed. A number of Met analysts have graduated from the data fellowship apprenticeship programme

1.8. New areas for Quarter 2:

1.9. As reported in the last Quarter, the Governance Improvement Plan is a live improvement plan and two further actions were introduced this quarter to reflect DARA feedback.

1.10. Mapping of Resources and Demand: Through 'Project Peel', a new Incident and Response dashboard has been created, sourced form CAD/CHS and CARMS/PSOP, which looks at Demand and Supply through a tableau dashboard. This has been signed off by Business owners, and is being used locally by Data Analysts for familiarisation, before being launched across the Met in the New Year. Activity towards the next Force Management Statement will take place between January and May 2023, during which a strategic assessment of our balance between changing demand and resourcing will be covered, which will be measured against the new Strategy and the Commissioner's plans and support the allocation of Year 3 Growth.

1.11. Financial management arrangements against CIPFA's Financial Management Code: Met Finance have undertaken a draft assessment against the CIPFA code to identify any gaps, but at this stage, no gaps have been identified

1.12 Actions arising from October Audit Panel

At the October Audit Panel, members requested an update regarding the implementation of operational learning, and how it links in with the corporate risk register. The following update has been provided by Paul Clarke, Head of Organisational Learning and Research

1.13 Advice on the implementation of operational learning.

The implementation of organisational learning at levels 1 (local), 2 (corporate) and 3 (external) is covered in the summary above. The implementation of local BCU and OCU OL hubs remains resource constrained, with inconsistent support for the systemic MPS OL framework. Support for OL is gaining traction amongst business leads and some OL hubs, such as DPS and IRSC, continue to develop and perform well. Clarity of governance and resourcing of thematic functions, such as public protection and investigations, should enable implementation of consistent OL roles/grip within these areas and clearer integration within the MPS OL framework. Resourcing to support OL implementation would enable rapid benefits realisation.

1.14 Clarity on where it links with the high risks on the corporate risk register.

Thematic OL analysis does not yet effectively feed the risk conversation. Governance changes to the grip of level 3 (external) recommendations, and analysis of learning from those recommendations, will enable a more direct alignment with identification of strategic risks from these sources. Resourcing to support the corporate OL team in thematic OL analysis and in implementation of the systemic OL framework would enable a flow of learning across levels 1, 2 and 3 to better inform corporate risk, assurance and improvement.

1.15 A paper has been attached at **Appendix 2**, which was presented to the Organisational Learning Board in October 2022, which provides further information.

2. Equality and Diversity Impact

The governance improvement plans contain a number of actions that aim to strengthen our engagement of communities and impact positively on equality and diversity within the Met and externally.

3. Financial Implications

There are no direct financial implications. The costs associated with the areas of work identified in this report will be met from the relevant unit's budgets.

4. Legal Implications

MOPAC and the Commissioner of Police are both under a statutory duty to approve an Annual Governance Statement (AGS). In order that it can discharge the duty, the MPS prepares an AGS, against the CIPFA Principles (Delivering Good Governance in Local Government: Framework 2016), which demonstrates how aspects of governance have been implemented within the service, and from which the Governance Improvement Plan stems.

5. Risk Implications

The annual governance review identifies significant governance areas for improvement across the Met, monitored quarterly and aligned with corporate risk processes.

6. Contact Details

Report author: Michelle Thorp, Director, Transformation

7. Appendix

Appendix 1: Met Governance Improvement Plans 2022/23
Appendix 2: Paper to Organisational Board, October 2022, by Paul Clarke, Head of Organisational Learning

MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
16 January 2023

MPS Performance Framework Development

Report by: Aimee Reed, Director of Data

Report Summary

Overall Summary of the Purpose of the Report

- To provide an update on the delivery of the new MPS Performance Framework
- The new approach to performance is ambitious. It aims to:
  - provide a whole system view of our performance; tracking outcomes, activities and enabling services;
  - aid decision-making on where we target resources, analysis and evaluation of "what works"
  - "wire together" how our data feeds our metrics, management information and insight. When we analyse how we are doing it is fed from a single source of the truth, whether;
  - *Most importantly*, by doing these three things together we will improve our performance delivery for London.
- The Performance Framework will iterate. This is the latest version.

Key Considerations for the Panel

- Work on the new performance framework was accelerated through Project Peel; the injection of external resources and skills to enhance the collaboration of internal staff and our use of data & insight assisted its delivery.
- The Performance Framework metrics at the Corporate Level are already in use. Future developments will expand the framework detail to enable data and analysis (including dashboards) to be provided to other levels in the MPS[1] e.g. (BCU Commanders or enabling services such as Forensics). We also anticipate performance data and insight for use by the public and our partners.

Interdependencies/Cross Cutting Issues

- MPS Turnaround portfolio and the emerging MPS Strategy are key dependencies. Future Police & Crime Plan and MOPAC reporting.
- It will also be important to link the use of our performance data to a revised performance and tasking function.

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[1] based on the same data as the Corporate Framework

1. Supporting Information

1.1. In September, the MPS initiated Project Peel. This Project aimed to enhance how the MPS uses data and analysis and to stand up a Data Task Force comprising internal and external resources and skills to accelerate our ambition to drive better decision-making with data.

1.2. One of the key strategic aims was to design and deliver an entirely new performance framework that would take a "whole system" view of the MPS, through data, to understand, prioritise and target activity and analysis to achieve better performance outcomes. "Wiring" together the right data points from the thousands of data sets we held is an ambitious aim. It is one that Peel sought to demonstrate *was possible and effective* in understanding the relationship between (i) crime problems and (ii) the key policing activities we undertake (or could undertake) to improve our performance outcomes to London; More Trust, Less Crime and High Standards.

1.3. The Project sought to provide an assessment of performance across the organisation against a common set of metrics (with trigger points for areas of concern or celebration to avoid "knee-jerk" or isolated tasking decisions). This submission to Audit Panel presents the first full iteration of the Performance Framework being used by the Deputy Commissioner and lead for Performance (AC Matt Twist) to understand and drive performance management. A full framework is attached at **Appendix A.** More details of Project Peel, its approach to delivery and MOPAC approval can be found in **DMPC Decision–PCD 1305**.

2. The Framework

2.1. What does the Framework Measure? The new Performance Framework metrics monitor what the MPS does *"end to end"* across its policing services and enabling functions. It has three levels; (i) the **outcomes** we want to perform well at, (ii) the **policing activities** we undertake and (iii) the **enabling services** we need to support those activities (such as our people or our technology).

2.2. It aims to measure and track the relationship between the activities by our people and teams and how well we are performing to deliver our strategic outcomes; More Trust, Less Crime and High Standards. For the first time we will have a joined up and fully-rounded approach to managing performance. This does mean there are more metrics. The metrics show how our activities relate and how well we are doing. They also show the relationship between the activities we undertake and what impact they have on performance. It enables traceable accountability between our activities and outcomes.

2.3. Who is the Framework for? The framework is, initially, for the MPS to align how it consistently tracks and targets its resources to the problems and opportunities that matter most to London. It aims to align decision-making and accountability for performance into a simpler regime as well as provide a basis from which informed tasking and coordinating decisions can be made and evaluated. This is a fundamental cultural change for the whole MPS which, if delivered well, should positively impact on our performance to London. To that end, the

Performance Framework has initially been developed in collaboration with Senior Police Leaders and a frontline working group of constables, sergeants and junior Police Staff. It has been tested and constructively challenged with our various analysis teams (such as the Strategic Insight Unit and Intelligence). It has been presented to members of MOPAC.

2.4. To ensure that we are not producing multiple (potentially competing) performance data, we have mapped the new framework against (i) the Police and Crime Plan, (ii) the Home Office's Beating Crime Plan and (iii) other developing areas of oversight (for e.g. the emerging MPS Strategy, MPS submissions to PPOG and Home Office Public-Facing Digital Crime and Performance Packs). This also illustrates how this framework can meet our external stakeholder needs[2]. A separate piece of work, being conducted with the Open Data Institute, will also help us align how we present the relevant bits of the framework to the Public too[3].

2.5. <u>When will it be used?</u> This iteration of the Corporate-level Performance Framework (i.e. **Appendix A**) was approved at Performance Board on 20 December. We have started to use this framework in anticipation of it **going live in April 2023.** We have focused energy on communicating the new metrics, framework and wider-cultural change necessary for success to Management Board, Operational Leaders and Directors of enabling-functions. This is to ensure good adoption of this corporate level framework whilst we rationalise dashboards and analysis from the previous Strategy into the new one by the next financial year

2.6. Aligned to this framework we produce a "Weekly SitRep" dashboard to the Commissioner's SLT on a Monday. Again, this is to help focus senior leaders on performance management conversations and decisions where necessary.

3. Next Steps

3.1. Our immediate focus is to simplify the language and presentation of the new framework are to make sure the framework to make it accessible. It needs to align with the language in the developing MPS Strategy so we are working closely with the Director of Transformation to achieve this.

3.2. The further development of the Performance Framework will be delivered by the newly aligned Digital, Data and Technology department (pending Executive redesign).

3.3. DDaT will focus on the following which is required to **operationalise** version one of the new Performance Framework i.e. put the Performance Framework in the hands of decision-makers:

- Dashboards and tooling – Visualising the Framework metrics, and "wiring" the underpinning technical infrastructure correctly, to ensure automated and timely access to the right data sets;

[2] Alignment to external stakeholder performance oversight is indicated within the framework itself
[3] Conclusion of this work is imminent – due January 2023

- Performance and analytics capability – the right people and technical infrastructure in place to deliver performance insights;
- Governance and accountabilities – Design the tasking and coordination process needed to drive collective ownership of outcomes and allocation of resources to prioritised performance areas. This includes needing a review of responsibilities to resource ownership and decision making; and
- Performance and insight culture – improvement and evidence-led problem-solving ethos that traverses leadership, rank and position.

3.4. The work to scope the activity, resources and budget required to deliver these work streams will be submitted to PIB in January 2023 as part of the newData Transformation Programme.

4. Equality and Diversity Impact

The new Performance Framework replaces the existing one so there is no anticipated additional equality and diversity impact. However, the Project will exploit the opportunity to improve the accessibility of the Performance Framework, for example, improving the accessibility of its visualisations and the physical accessibility of the estate where the Performance Framework will be used. The project will undertake an Equality Impact Assessment as it delivers the above workstreams.

5. Financial Implications

The work to date to develop the Performance Framework has been undertaken by the Data Office, supported by pro bono resource from Deloitte. This pro bono support completed on 16 December and additional consultative support is likely to be procured through a competitive process in 2023.

6. Legal Implications

There are no anticipated legal implications.

7. Risk Implications

The new Performance Framework replaces the existing one so there is no anticipated additional risk. However, the project will exploit the opportunity to mitigate the inherent risk of data and insight usage, which will be managed and assured using the Transformation Directorate Risk Management Guidance.

8. Contact Details - Report author: Aimee Reed, Director of Data.

9. Appendices and Background Papers

Appendix A – MPS Performance Framework (as of 23 December 2022) – Official Sensitive

MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
16 January 2023

MOPAC Risk Management Update

Report by: The Director of Strategy

Report Summary

Overall Summary of the Purpose of the Report

This report provides an overview of risk for the Mayor's Office for Policing and Crime (MOPAC). It provides an update on the agreed set of corporate risks and control actions.

This document summarises the organisation's headline risks (**Appendix A**). Further detail on risk score, direction and key controls is presented in **Appendix B**. The corporate risk register is reviewed monthly at the Governance and Risk working group meeting.

At the request of the Panel, further detail is provided on the levels of risk within the organisation and how these are escalated.

Key Considerations for the Panel

Review the new corporate risk register and the risk management framework that supports it.

Interdependencies/Cross Cutting Issues

In general, the Panel is content that MOPAC and the MPS has good governance in place to manage interdependent risks.

Recommendations

The Audit Panel is recommended to note MOPAC's risk management approach.

1. Supporting Information

1.1. MOPAC's Corporate Risk Register is supported by a detailed control action plan, setting out the activity in place to manage the risk with timeframes and progress reports. Detail on all risks can be found at Appendix B.

1.2. At the October Audit Panel, it was noted that the delineation between the overall risk score and the control status needed to be made clearer.

1.3. The Panel also asked for more detail on how risks to the delivery of the Police and Crime Plan were captured and assessed. The paper will discuss the link between project and programme risk to corporate risks and the governance in place to support the process.

MOPAC review of corporate risk

1.4. Since last reported to Panel in October 2022, MOPAC has adopted a more robust process of internal review of MOPAC's corporate risks. Discussions with each Risk Owner have taken place to better understand progress against control actions and ensure that the right processes are in place to improve risk position.

1.5. Through these discussions, an inconsistency in approach to assessing the control status was identified. Audit Panel also noted this in their assessment of MOPAC's corporate risk at the last meeting. We have taken steps to resolve this by agreeing a definition for each of the RAG statuses, which was presented to Governance and Risk Working Group on 19 October. This will ensure that going forward our assessment of the progress of each control will be consistent and where management intervention is required it has been identified. For clarification, the residual risk score is based on the effectiveness of established controls in place. The residual risk score will change once developing controls from the risk action plan are in place and delivering.

1.6. Over the last quarter, a set of new control actions have been agreed with Risk Owners, which ensures that we are refining the action needed and provides for better ownership of the risk at a Board level.

- Risk 2 – Develop a clear strategic relationship with Local Authorities
- Risk 2 – Develop MOPAC's stakeholder management approach
- Risk 4 – Provide strategic oversight and input into the ENGAGE (and Casey) process of the MPS
- Risk 4 – Use budget setting process to align priority-based budgets (MOPAC and MPS)
- Risk 5 – Develop list of MOPAC projects in the event that new Mayoral funding is identified.

1.7. A key issue that has come to light is the inherent tension in supporting the MPS in pursuing longer term systemic reforms vs MOPAC's focus on shorter term

PCP impact. This is drawn out through the desire and need to support the MPS through ENGAGE and also Casey reforms, but also the conflicting pressure to prioritise work to have the greatest impact against the strategic priorities in the PCP, and from partners who will want to see immediate action on local issues. MOPAC Board has discussed the issue and is taking steps through its oversight of the MPS to ensure that the right balance is made whilst being mindful that this must be supported and underpinned with effective communications.

1.8. MOPAC's overall assessment is that the Corporate Risks are at a steady state, with control actions, in the main, in progress and on track to deliver as expected. As we near closer to the end of the Mayoral term, Impact is the main concern and is detailed below. Discussions will continue at a strategic level to ensure that over the next 3 months MOPAC is delivering as expected and working to reduce the risk across the key areas as set out with the CRR.

1.9. Risk 1 (now an issue) - MOPAC does not have the right capabilities and capacity to achieve MOPAC's mission including delivery against statutory function

1.10. The risk has been realised and is now being treated as an issue. MOPAC has implemented an issues log to capture the progress. Progress has been made to address a number of resourcing pinch points across the organisation, which were having a cumulative effect. Discussions have been had at Board level in order to develop and enact a coordinated approach to resourcing and re-prioritisation of work. Recruitment campaigns have been completed and successful candidates are now in the vetting stage. Given the lead in time for recruitment it is unlikely that we will see resources in post until late Q4 2022/23, early Q1 2023/24. This issue is contained and will continue to be reviewed monthly at the Governance and Risk working group. It is likely that as more staff are successfully onboarded this will shortly revert to being a risk.

1.11. Risk 2 - MOPAC does not have the right partnership structures and relationships to work effectively with partners and influence and frame the actions of others to deliver the mayor's ambitions and the Police and Crime Plan

1.12. Work to address the control actions is progressing well, despite the delay in getting additional resource into the team. The terms of reference and outcomes framework for the London Criminal Justice Board is in place and meetings have commenced. Work is on track for all sub-boards to have revised terms of reference and outcomes signed off by the end of Q4. All new Boards and Forums are up and running.

1.13. The risk remains high impact, medium likelihood. The controls are on track and show a maintained position. The key controls which will have the greatest impact going forward will be the strategic management approach and the strategic relationships with partners. These will be prioritised in the new year once more resource is in place.

1.14. ***Risk 3 - Due to hybrid working and diminished space MOPAC loses its corporate identity which impacts on staff engagement and inclusion, shared purpose and effective understanding and working, leading to dissatisfaction and reduced delivery.***

1.15. The focus of the controls is staff engagement and inclusion. Controls are on track, but in particular there has been greater progress on the staff engagement, through all MOPAC away days and directorate together days etc, which warrants the trend to show an improvement. The staff survey has showed connection to the organisation of 62%, with 82% of staff being proud to work for MOPAC and 68% would recommend us as a good place to work. However, there is work to do to get the most out of the physical space that MOPAC has.

1.16. The risk remains high impact, medium likelihood. However, the controls are on track and show an improved position. The key controls which will have the greatest impact going forward will be staff engagement, cohesive leadership, EDI strategy and the People Strategy.

1.17. ***Risk 4 - MOPAC is unable to demonstrate impact as work is not prioritised in line with a set of defined outcomes supported by data/evidence. Impacted by the lack of understanding/visibility of the role of MOPAC/VRU. The need for strategic structural reform at MPS hinders focus on 18-month delivery of PCP***

1.18. Demonstrating impact is being driven by the control to develop a strategic approach to commissioning and our ability to communicate this effectively to Londoners. Work has been completed to define the outcome framework for all of our commissioned services. This, linked with our better use of digital tools for communication and MOPAC's new website, will better demonstrate the impact that our work is having. This combination will likely see the greatest change in this risk.

1.19. The risk remains high impact, medium likelihood. The controls are on track and show a maintained position.

1.20. ***Risk 5 - Failure to deliver the Medium-Term Financial Strategy and service delivery within the funding available.***

1.21. The focus of work in this area has been on controls for this year's budget. This was presented on 25th November. One further control action has been completed this month - the system of in-year monitoring with budget holders is in place and working.

1.22. The risk remains high impact, medium likelihood. The controls are on track and show an improved position given the significant work on the budget in November 2022. The controls for this risk will be reviewed in Q4 to ensure that they are the right controls to address the risk.

Escalation of risk and delivery of the PCP

1.23. Risk management is a management tool that forms part of MOPAC's governance system and is key in MOPAC achieving its objectives and deliver on intended outcomes from the Police and Crime Plan. As set out in MOPAC's Annual Governance Statement 2021/22 (which was published in June 2022 alongside the 21/22 accounts), MOPAC has identified the need to further develop its risk management framework, setting out the processes in place to manage risk at the strategic level, directorate/working level through to project level.

1.24. There are four levels for risk management focus within MOPAC.

Corporate risk

1.25. These are MOPAC's most serious risks. Those that MOPAC Board sponsor and those which drive strategic change. They have the potential to impact significantly on the overall capability and success of the organisation. If a corporate risk were to materialise it would have significant impact on MOPAC's ability to successfully deliver the corporate vision and PCP priorities, operate in an efficient and effective way, and affect its ability to oversee the MPS effectively. A corporate risk is also likely to pose a serious threat to the reputation of MOPAC and the Mayor.

1.26. Corporate risks are captured on the corporate risk register, which is owned by the Strategy and MPS Oversight Directorate. The approach to corporate risks sets the context for decisions at other levels of the organisation.

Directorate risks

1.27. These are risks that if they occurred would seriously impede the delivery of directorate aims and priority programmes. Compared with corporate risks, the impact of the risk will either be confined to the directorate or be unlikely to seriously impact on the delivery of MOPAC vision or overall PCP outcomes. Directorate risk are likely to operate over the medium-term and could arise from or relate to policy implementation, business as usual or project delivery.

PCP pillar risks

1.28. Under the new internal MOPAC PCP governance structures there is a named lead for each of the 'pillars' derived to deliver the PCP outcomes. This involves cross-directorate working and it is the lead's responsibility to assess and manage (i.e. mitigate) risks as pertain to their own 'pillar'. Pillar risks are likely to operate over the medium-term and like Directorate risks, are likely to arise from or relate to policy implementation, business as usual or project delivery. These risks would seriously impede the delivery of the PCP outcomes.

Project risks

1.29. These risks relate to or flow from a specific project. They have the potential to impact on the project's scope, outcomes, budget or timescales. Where the risk could impact on other projects or objectives, or the project is considered a high priority and the level of risk is such that it could lead to a failure to deliver project objectives, the risk should be escalated to the directorate and possibly corporate level.

Risk Escalation

1.30. Risk escalation can happen at any level within the organisation. For a risk to be escalated from a project, PCP pillar or Directorate level to the corporate risk register, it would first need to be considered by the Governance and Risk Working Group, chaired by Director of Strategy and MPS Oversight, following a recommendation by the relevant project, pillar or Directorate lead. The short paper would include the detail of the risk and the controls that have already been put in place as well as the reasoning for why the risk should be considered to be escalated, satisfying the definition of a corporate risk. If agreed, MOPAC Board would receive the proposal for discussion and a decision would be made accordingly. The escalation process will be detailed and communicated at Directorate level during Q4, to ensure that all staff understand how and when to escalate.

1.31. Further development of the new governance framework to manage the delivery of work associated with the new Police and Crime Plan has been made over the last quarter. MOPAC has now held 3 meetings and provided the oversight and challenge needed to ensure that its work is aligned to the strategic aims of the PCP, and risk are managed accordingly. At each meeting, PCP leads are required to provide updates on priority work, ensure that budgets are allocated and identify risks to delivery. It was through these meetings that elements of resourcing pressure have been identified and support the control actions associated with the corporate risk for resources.

2. Equality and Diversity Impact

MOPAC consider risk on a Project, Programme, Directorate and Corporate level, with risk alignment taking place at a forum that is representative of the diversity of MOPAC staff and enables a transparent assessment of risks. Risks and controls identified recognise that equality, diversity, and community engagement should be treated as strategic priorities.

3. Financial Implications

The MOPAC risk management framework will contribute towards the management of MOPAC budgets and ensure that financial pressures are responded to effectively.

4. Legal Implications

There are no direct legal implications arising from this report.

5. Risk Implications

The paper details the risk implications facing MOPAC and any interdependent risks or issues with the MPS.

6. Contact Details

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7. Appendices and Background Papers

Appendix A – MOPAC corporate risk overview
Appendix B – MOPAC summary risk position – Official Sensitive

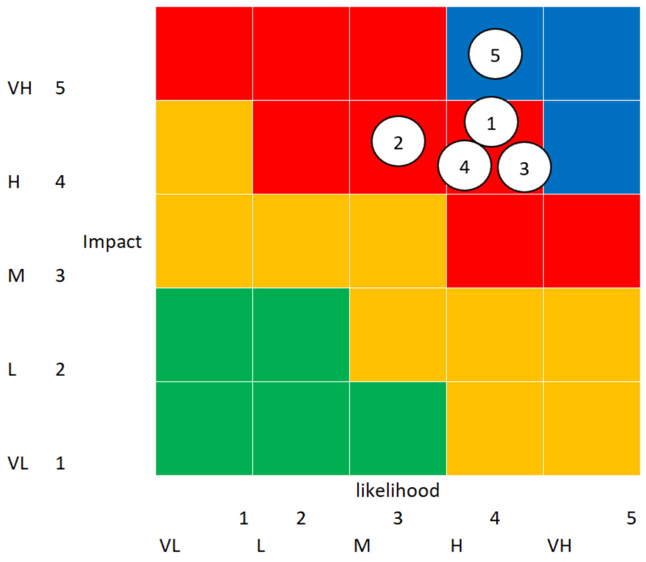
Appendix A: MOPAC corporate risk overview

MOPAC Corporate Risks

	Risk Description	Risk Owner
1	MOPAC does not have the right capabilities and capacity to achieve MOPAC's mission including delivery against statutory function	Chief Executive
2	MOPAC does not have the right partnership structures and relationships to work effectively with partners and influence and frame the actions of others to deliver the Mayor's ambitions and the Police and Crime Plan	Dir of Commissioning & Partnerships
3	Due to hybrid working and diminished space MOPAC loses its corporate identity which impacts on staff engagement and inclusion, shared purpose and effective understanding and working, leading to dissatisfaction and reduced delivery.	Head of HR & OD
4	MOPAC is unable to demonstrate impact as work is not prioritised in line with a set of defined outcomes supported by data/evidence. Impacted by the lack of undestanding/visibility of the role of MOPAC/VRU.	Dir of Strategy & MPS Oversight
5	Failure to deliver the Medium Term Financial Strategy and service delivery within the funding available.	Chief Finance Officer

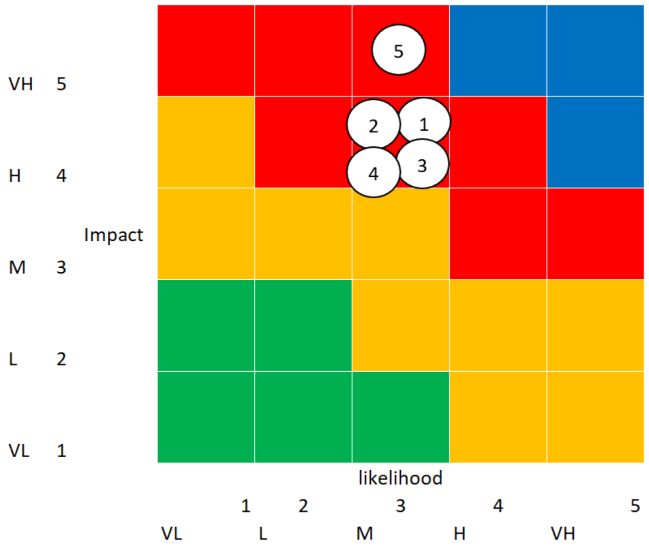
Inherent risk

Risk score map



Residual risk

Risk score map



AGENDA ITEM 8b

MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
16 January 2023

Met Risk Management Report

Report by: Director of Transformation

Non-restricted paper

<u>Report Summary</u>

Overall Summary of the Purpose of the Report

This report provides an overview of the Met's corporate risks and the status of their controls. In terms of **progress** (*Progress status*), eight are assessed by the respective risk owners and working leads to be 'green', three risks are assessed to be 'red' and one risk 'amber'.

Key Considerations for the Panel

Risk and Assurance Board on 1st December noted the progress made against the risks. For those risks reporting slipped or limited progress, the Risk Owner provided a response to Risk and Assurance Board as to the reasons why and was asked to provide further detail during the meeting including remedial control activity.

Also included in this report is a response to the action raised at the last meeting to bring "*an update on the Risk Maturity Improvement Plan*".

Interdependencies/Cross Cutting Issues

- The Met's governance improvement plans reported in a separate paper to this meeting include controls for some of our risks.

Recommendations

The Audit Panel is recommended to:

- Note the Met's key risks and the governance that is in place to ensure effective management of them.

Corporate risk update

1.1. A summary of the Met's corporate risk register, which sets out the significant short and long term risks, is attached at **Appendix A**. We have provided information on five of the risks at **Appendix B** including risk appetite and the key controls in progress to improve the position of the risk. It sets out the status of those controls and provides an overall assessment on the progress being made towards achieving the 'target score' with four possible options: On Track; Limited; Slipped and No progress. Detailed templates for all risks can be provided if required.

Risk position update – 3rd quarter

1.2. Over the last quarter, eight risks are reported as 'on track'. Three risks are reporting 'slipped' progress and report a worsening trend:

- People (growth) (risk 1)
- People (risk 4)
- Criminal Justice (risk 12)

One risk is reporting 'limited' progress:

- Public and Local Engagement (risk 9);

No risks have improved their risk score.

'Slipped' risks to note are:

1.3. **People (Growth) (risk 1 – short term)** – Slipped progress is due to reduced attraction levels and workforce design.

- <u>Attraction</u> – Attraction levels for PCs have fallen during Q2. In time this will impact recruitment levels and growth targets.
- <u>Workforce Design</u> - In order to increase overall constable levels, an option to recruit additional DCs was considered but rejected by People & Learning Board (October 22). This would have taken us significantly over DC design levels and there would not be the capacity to absorb or sustain increased DC numbers in the training and learning infrastructure.
- <u>Rectification Action</u>
  a) Urgent new research has been commissioned to review the current approach to uniform attraction. This is due to complete in Q4 and will provide fresh recommendations on how to address and increase the pipeline.
  b) The October People and Learning Board agreed to seek Home Office support for an extension to the deadline to meet growth targets. This would enable the Met to grow in a more sustainable way and help manage the risk of inexperience across the business.
- This risk was discussed at Risk and Assurance Board and the Working Lead expanded on the controls that are in place. The HMICFRS Force Liaison Lead queried what impact this has upon on vetting. He was assured that additional resource is now in the Vetting Unit and an end-to-end review of vetting is taking place.

1.4. **People (risk 4 – long term)** – Slipped progress is due to reduced attraction levels.

- Attraction - Uniform roles are failing to attract diverse candidate pools. Although the DC-DHEP pathway has been very successful in attracting greater levels of diversity and representation this pathway has closed for 2022 having achieved the required number of DC candidates. Other entry pathways, such as transferee/returners and IPDLP, have lower diversity levels but higher numbers of overall candidates.
- Rectification Action
  a) Urgent new research has been commissioned to review the current approach to uniform attraction. This is due to complete in Q4 and will provide fresh recommendations on how to address and increase the pipeline
  b) A new entry route for applicants wishing to join the PC-PCDA pathway without the required UCAS points (Met Officer Gateway Programme) has recently been introduced. The impact of this is being evaluated.
  c) Action in hand to transfer candidates between pools – e.g. DC applicants to a PC entry. The impact of this on both volume and representation is being evaluated.
- The Working Lead emphasised to Risk and Assurance Board the range of activity taking place to control this risk.

1.5. **Criminal Justice (risk 12)** – The Working Lead updated Risk and Assurance Board that although a change in approach (around more multi-agency demand management in areas such as Crown Court backlogs) has been positive, the Met's influence on the CJS has, as a whole dipped this quarter. Efforts to positively impact on the CJS and manage demand have not been as successful as first envisaged; a significant factor of this is capacity within the CPS, the cessation of some pilots and the "red exception" cases. The Chair challenged the Working Lead around whether the risk accurately captures the controls and work being done to manage the risk. The updated version of this risk is included in Appendix B.

'Limited' risks to note are:

1.6. **Public and Local Engagement (risk 9 – long-term) –** A significant amount of engagement continues to take place and feedback remains positive. 'Limited' progress is reported as CPIE services are in a transition period whilst the Executive Redesign activity is taking place. Recommendations for a future delivery model is in progress in order to inform Executive Redesign decision making in relation to future of CPIE services.
However, a separate Race Action Plan (RAP) structure has been created enhancing our Stride commitment 17 to have the RAP as a standalone piece of work with appropriate enhanced engagement taking place. Once the design is complete, this risk and controls will require a refresh.

Risk maturity improvement plan

1.7. Under the new Commissioner, an Executive Re-design has been commissioned. This has meant that it is not the right time to implement some risk maturity improvement activity, specifically around escalation routes and governance until the re-design is complete. As part of this work, expectations will be set for what business groups will be expected to have in place. This gives us the opportunity to set standards for risk management including what we want by way of a risk meeting and the templates that we expect them to use.

1.8. Nevertheless, we have made progress in other areas against the actions from the DARA risk management framework audit and those in the risk maturity improvement plan.

DARA actions / Improvement activity	Status	Comment
Align risk management at business group level with relevant corporate strategic and business plan objectives.	**Complete**	• We have reviewed the methodology to link to business planning and performance framework. • We have explicitly added to the risk management guidance that links to business planning and performance framework must been made.
Identify and evaluate the inherent risk score (pre added controls) to inform the level of control activity required.	**Complete**	• We have amended the corporate risk register template to include the 'opening' score.
Clearly identify existing controls and evaluate their effectiveness in reducing the current risk whilst working towards the target risk position	**Complete**	• We have strengthened the need for this to be done within the risk management guidance, training material and through our engagement with risk leads.
Refresh the Planning and Risk intranet page with clear links to guidance and templates and socialise to OCU Commanders / Heads of Department	**Complete** (*and ongoing to reiterate to take into consideration management moves*)	• We have updated all intranet pages, hyperlinks and guidance updated and socialised.
Expand membership of Risk Forum to help drive consistency	**Complete** (*and ongoing review to include new members*)	• We have expanded the Risk Forum membership to include Professionalism and MO - specifically the Emergency Preparedness & Business Continuity team.
Provide risk management overview and expectations for newly	**Ongoing** to ensure continuous improvement	• We have a regular slot timetabled into the promotion courses for Ch Supts and

promoted Ch Supt & Supts		Supts. Several have been delivered to date.
Revise and increase training offer to OCU / BCUs - this will incorporate coaching / remedial support to ensure compliance with minimum standards	**Ongoing** to ensure continuous improvement	• We reiterate our training offer to the business on a regular basis and through formal reporting to risk boards • We have updated the intranet pages to ensure the training offer is clears. • We have delivered three bespoke risk management-training sessions for OCUs with two more in the pipeline. We are developing a schedule of drop-in training sessions (not OCU / team specific) that will be advertised on the intranet in the New Year and we are exploring what the Learning Management System could support in terms of training videos when it is fully launched.
Senior leaders to develop Business Group level risk management implementation plans (including opportunity management and assurance mechanisms) to ensure a consistent application of the risk management framework	**Partially complete**	• We have added opportunity management and dependencies on the revised templates, guidance and training material. • We are scoping what processes are needed to support business group implementation plans – this will be developed as part of the Engage root cause analysis.

1.9. We are developing the next round of risk maturity self-assessments; we sought a peer review (from the team that developed the Strategic Command Assessments) and their feedback that the self-assessment was too detailed and lengthy is being considered in the re-draft. In the New Year we aim to circulate the self-assessment together with the Annual Governance Statement assessments. We will review the findings from the self-assessments and will identify any additional activity required to be included in the improvement plan which is considered as a living document to ensure continuous improvement.

1.10. We are working with new leadership across the business groups to develop their risk management processes according to their needs – this includes a new risk board within Met Operations and a change in how their business group risk register is developed whilst meeting framework requirements.

1.11. Audit Panel will be aware of the considerable work that is taking place to address all recommendations (internal and external). This includes a focus on understanding the root causes rather than just symptoms of the reasons why the Met was moved to the Engage phase of monitoring by HMICFRS. Understanding the causes of risk is a fundamental part of the Met's risk management framework and this has been strengthened within the documentation and training material. As part of the Executive Redesign work progresses, the governance, engagement and escalation routes between the Transformation Group and Performance Board with Risk and Assurance Board and Portfolio and Investment Board are being determined.

3. Equality and Diversity Impact

Individual control owners should ensure that their work to prevent and mitigate corporate risk has a positive race and diversity impact. Equality impact assessments will be undertaken on significant programmes of work.

4. Financial Implications

It is anticipated that the costs associated with the areas of work identified in the register will be met from the relevant unit's staff and officer budgets. Any funding required over and above these existing budgets will be subject to the normal MOPAC/Met governance approval and planning processes.

5. Legal Implications

There are no direct legal implications arising from the recommendations contained in this report. Regulation 3 of the Accounts & Audit Regulations 2015 requires both the MOPAC and the Commissioner, as relevant authorities, to ensure that they have a sound system of internal control, which includes effective arrangements for the management of risk.

6. Risk Implications

The corporate risk report assists the Met to manage and track risk to the achievement of organisational objectives focusing particularly on whether controls are fit for purpose and manage risk areas as intended.

7. Contact Details

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8. Appendices and Background Papers

Appendix A – Summary of corporate risks – December 2023
Appendix B - 'Road to target' assessments for example corporate risks – December 2022 – Official Sensitive

Corporate Risk & Issue Register - December 2022

Non restricted slide

ISSUES

Ref	Issue Trend	Risk Description	Risk Owner	Working Lead(s)	Target position
1 H v H	↑	***PEOPLE (Growth)*** Failure to meet FY 2022/23 growth target	Interim Director of Resources	T / HR Director	M v M
3 VH v M	↔	***STANDARDS*** Public confidence in policing in London is further undermined by the reality and perception of professional standards in the Met	AC Professionalism	DAC Professionalism	L v L
4 H v M	↑	***PEOPLE*** Failure to attract, recruit and retain a diverse and representative workforce and support their progression within the organisation	Chief of Corporate Services	T / HR Director	M v M
10 VH v VH	↔	***LEGITIMACY*** Legitimacy in the Met is undermined by a range of internal and external factors	Commissioner	AC Professionalism	M v M
12 H v H	↑	***CRIMINAL JUSTICE*** Inability to influence external issues related to Criminal Justice system leading to sub-optimal performance	AC Met Ops	Cmdr Criminal Justice	M v M

SHORT-TERM RISK

Ref	Risk Trend	Risk Description	Risk Owner	Working Lead(s)	Target position
2 H v M	↔	***IT ENABLED BUSINESS CHANGE*** Failure to successfully deliver CONNECT and Command & Control significantly undermining operational delivery	Chief Digital and Technology Officer	DAC Transformation	M v M

Risk Trend key - Improved (↓), Worsened (↑) or is Unchanged (↔)

Corporate Risk & Issue Register - December 2022

Non restricted slide

Risk Trend key - Improved (↓), Worsened (↑) or is Unchanged (↔)

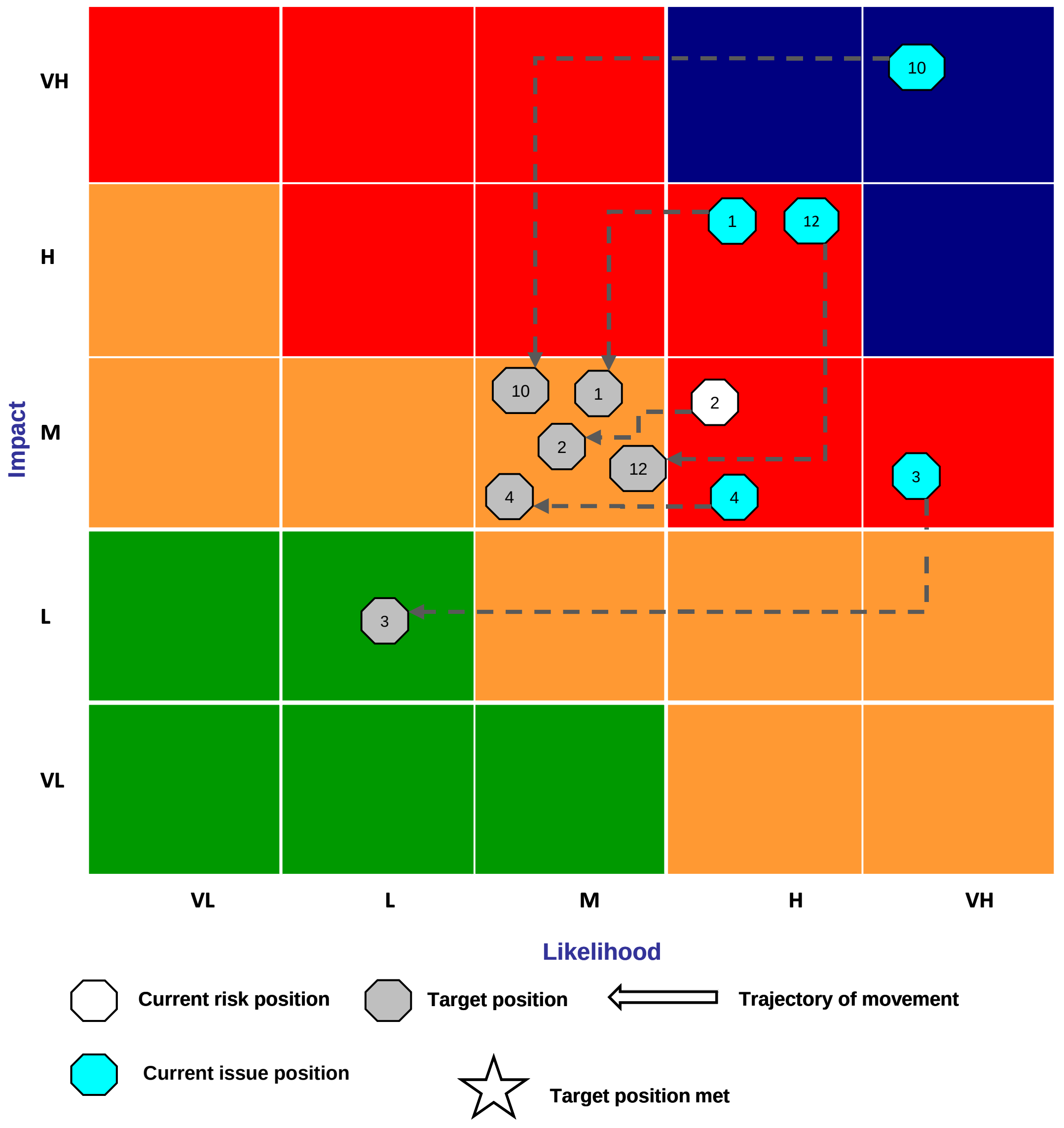
LONG-TERM RISKS

Ref	Risk Trend	Risk Description	Risk Owner	Working Lead(s)	Target position
5 M v H	↔	***CAPABILITY*** Failure to ensure our workforce is appropriately skilled to deliver effectively in a changing environment	AC Professionalism	Director Learning	L v L
6 VH v M	↔	***PEOPLE (Competency / Capability gap)*** The level of inexperience or lack of confidence alongside stretched or the lack of supervision leads to service failures	AC Frontline Policing	Commander Local Policing Head of HR Service Delivery	M v L
7 M v M	↔	***TECHNOLOGY*** Lack of a clear roadmap and sufficient capabilities at all levels means we don't fully exploit digital and data	Chief Digital and Technology Officer	Digital Policing Directors Director Strategy & Governance Transformation Director Director of Commercial Services Heads of Profession	L v L
8 M v H	↔	***CRIME PREVENTION*** Insufficient and ineffective crime prevention fails to prevent victimisation and undermines community confidence in policing	AC Professionalism	Head of Profession – CP, Inclusion & Engagement	L v H
9 M v H	↔	***PUBLIC & LOCAL ENGAGEMENT*** Our diversity and inclusion initiatives, communication and engagement activities do not have the positive impact sought in raising confidence amongst Black communities and other groups where a confidence gap exists	AC Professionalism	Head of Profession – CP, Inclusion & Engagement	M v M
11 M v M	↔	***CYBER*** A lack of appropriate security controls could lead to a compromise in confidentiality, integrity, accessibility of our IT systems and the data therein	Chief Digital and Technology Officer	Head of Security Delivery & Secure Architecture	L v L

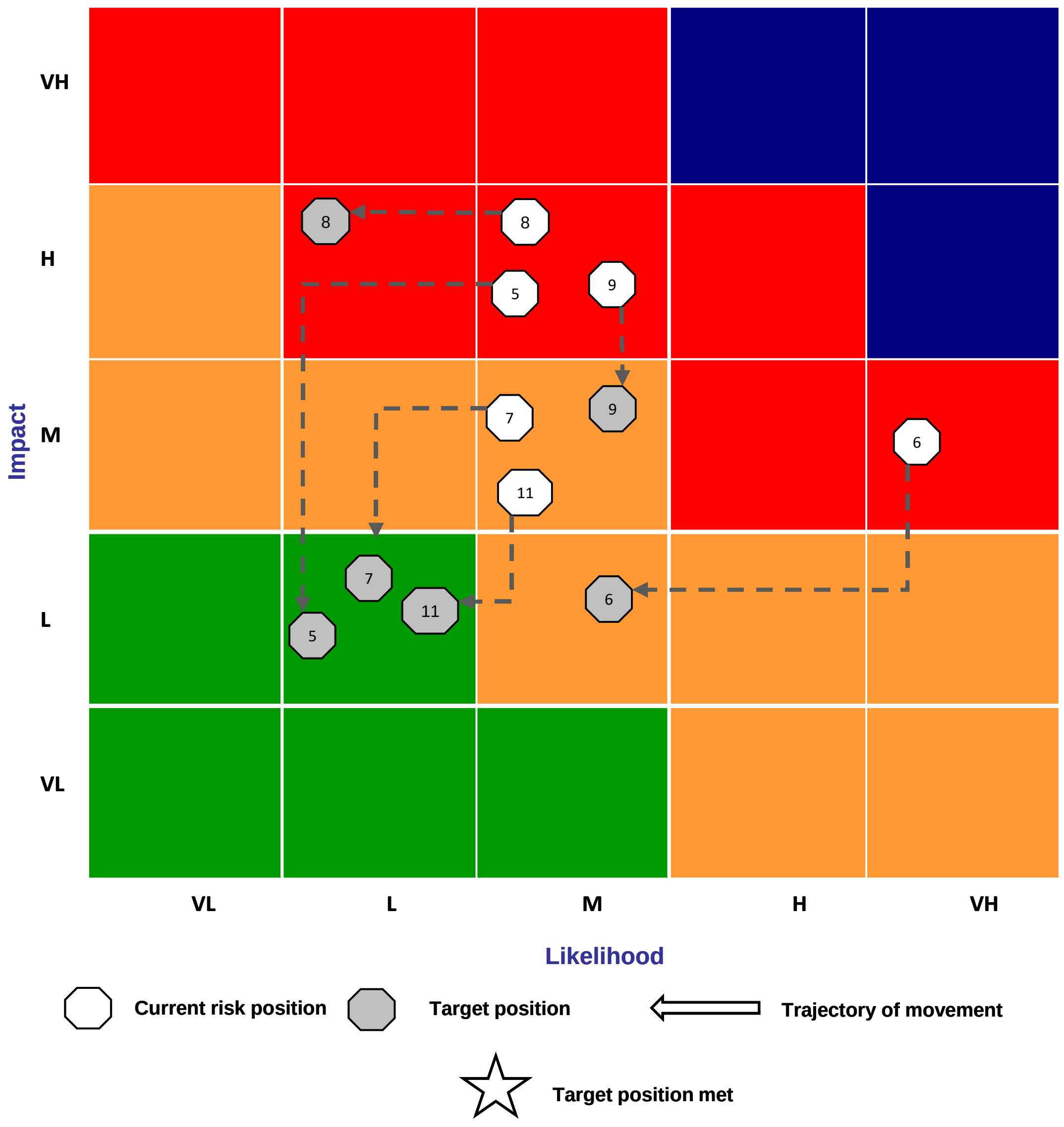
Corporate Risk & Issue Register - December 2022

Non restricted slide

ISSUES & SHORT-TERM RISK HEAT MAP



LONG-TERM RISK HEAT MAP



Alignment

More Trust			4, 9,12	10
Less Crime		7	5, 8, 12	
High Standards			3, 6	
Enabling		11	1, 2	

AGENDA ITEM 9

MPS-MOPAC JOINT AUDIT PANEL
16 January 2023

Internal Audit Quarterly Activity Report

Report by: Director of Audit, Risk and Assurance, HIA for MOPAC and the MPS

Report Summary

This report summarises the work carried out by the Directorate of Audit, Risk and Assurance (DARA) since the Panel in October, which includes internal audit risk and assurance reviews, advisory work and counter fraud activity. There is also a forward look to planned activity for the coming quarter.

Key Considerations for the Panel

- DARA activity is being aligned to key areas in support of the significant Turnaround Board Transformation programme providing real time advice and assistance as appropriate.
- Seven reviews have been concluded since the Panel in October, including four advisory, of the three follow ups two were rated adequate and the Domestic Abuse review remained limited awaiting further work being conducted as part of the transformation programme. A further nine reviews are at draft report, nine at fieldwork and nine in scoping.
- Key reviews concluded include follow ups of the Exhibits Management Framework, Domestic Abuse – Management and Deployment of Resources and Cyber Security, and advisory reviews of Counter Corruption Governance Fleet Services Procurement, Standards and Misconduct and VRU Commissioning Delivery.
- Audits at draft report stage include; BCU Framework Supporting Operational Delivery, Grey Estate, Firearms Licensing and Taser Use and Control.
- Key audits underway and planned include; Use of ANPR, MPS Cloud Security and Management, Financial Assurance, MOPAC External Communications and LCRB Governance and follow up reviews of Met Detention, Transformation Governance – Project/Programme Management, MPS Risk Management and MOPAC Oversight of Police Complaints
- National Fraud Initiative (NFI) investigation has continued and is making good progress in preparation for this year's exercise.

Interdependencies/Cross Cutting Issues

DARA review activity informs the MOPAC and Met Governance Improvement Plans being considered at this meeting and provides assurance on key areas of risk identified in the MOPAC and MPS risk assessments.

Recommendations

The Audit Panel is recommended to consider the outcome of DARA work undertaken to date and the status of current and planned activity.

1. Supporting Information

Audit Activity Undertaken

1.1 The outcome of the reviews concluded, including advisory, since the Panel last met are summarised in the **Appendix**, which also details counter fraud work undertaken and activity underway and planned.

1.2 A number of key pieces of advisory work have been completed this quarter with DARA's increased focus on providing real time advice to senior management in this time of significant change. Further planned review activity will align with the transformational activity taking place within the MPS as appropriate.

1.3 Key reviews at draft report stage include the BCU Framework Supporting Operational Delivery, which covered key areas of governance, performance and risk management and the management and deployment of resources. The report is now with the AC Frontline Policing for consideration and agreement of management action, which will be presented at the next meeting of the Panel. The Grey Estate action plan is also to be finalised with draft reports being produced for, Firearms Licensing, Taser Use and Control and the MOPAC VRU Commissioning Framework.

1.4 The Director of Audit, Risk and Assurance is a member of the Turnaround Board, chaired by the MPS Commissioner, overseeing a full programme of work focused on the transformational priorities needed to achieve significant change. Plans include reference to open review activity recommendations with work in progress to fully understand and address underlying causes. The Director of Audit Risk and Assurance has written to the Deputy Commissioner and shared the work undertaken in support of the Internal Audit Annual Report for 2021/22, which highlighted the underlying and reoccurring themes from DARA review activity discussed at the Panel meeting in October. This analysis will inform the work of the Board with the Director and Deputy due to meet early February.

1.5 Key audits concluded since the Panel met in October 2022 include:

- **<u>Criminal Exhibits Framework Follow Up:</u> Adequate Assurance.** Significant work is underway to address the issues raised by both DARA and HMICFRS as part of Operations Sweep and Peridot. A Gold Group is overseeing activity which includes mapping key processes and revising policy to improve security and record keeping. Developing a clear strategic approach linked to risk appetite remains key to delivering sustained improvement together with the successful implementation of CONNECT.

- **<u>Domestic Abuse Investigations Framework Follow Up:</u> Limited Assurance.** Governance arrangements to oversee investigative performance and support the delivery of the DA Action Plan have been clarified. The DA Investigation Policy has been updated to align with Authorised Professional Practice and changes in legislation. A KPI/Assurance Framework is being developed, including introduction of peer reviews, however at a corporate level there remains a need to address supervision, capability and capacity issues within Response and Investigation teams to drive the desired improvement in performance.

- **Cyber Security Follow Up Review: Adequate Assurance.** The control framework has continued to improve with further work and enhancements planned to ensure emerging risks continue to be addressed.

- **Fleet Services Procurement (Advisory)**
  A desk top review of the proposed fleet procurement evaluated the risk and control framework supporting activity to ensure lessons learnt from the previous procurement exercise had been addressed. The outcome of the review was included in a brief to the DMPC prior to the procurement exercise being concluded. Overall key lessons learnt from the previous exercise had been addressed with further assurance sought and provided in some areas.

- **MPS Standards and Misconduct - Casey Review (Advisory):** Internally DARA continued to advise on reporting of the outcomes of Operation Rainier to ensure key outcomes were properly determined and clearly articulated, alongside areas of learning. DARA SMT also continued to work in liaison with the Casey Review Team, prior the issue of Baroness Casey's initial findings report, providing insight into governance and risk issues relating to misconduct and counter corruption arising from audit review activity.

- **MPS Counter Corruption Governance and Op Peridot (Advisory):** DARA advised on the governance arrangements supporting delivery of Operation Peridot, in response to the HMICFRS inspection of MPS counter-corruption arrangements and its management of the Daniel Morgan Independent Panel. DARA also advised on the streamlining of the governance arrangements supporting wider counter corruption and counter fraud activity, an issue discussed at the last Panel meeting with the Commander leading on this work. A further update on progress, including work to rationalise strategies and embed fraud risk management within front end delivery, will be provided to this meeting.

- **MOPAC VRU Commissioning Delivery (Advisory):** Review of the processes followed in commissioning and the management of a VRU funding programme where issues with partner performance and payment of sub-contractors had arisen. An emerging findings advisory report was issued to the VRU Commissioning and Procurement Manager with the findings being incorporated in the draft report for the wider review of the commissioning framework, about to conclude.

1.6 In the counter fraud area, the 2020/21 National Fraud Initiative exercise has concluded although a number of issues continue to need to be addressed relating to pensions, recovery to date is £130k. Good progress has also been made in preparation for this year's exercise with matches due this month. DARA also continue to work in liaison with DPS colleagues in identifying areas for pro-active analysis in those areas of the business subject to increased risk of fraudulent activity. Current analytical reviews include MPS use of barclaycard travel and subsistence transactions and procurement of IT.

Planned Activity for the Next Quarter

1.7 Reviews at draft report stage will be finalised and reports prepared for those underway and work commenced on those reviews planned for the next quarter (**Appendix** refers). DARA will also continue to support and assist with the MOPAC End to End Process review. The MPS Probation review will focus on assisting the internal review analysing the extent and route cause of attrition, at Met senior management request.

1.8 DARA made a significant contribution to the successful National Police Audit Group Conference at Warwick in November 2022. Key developments in the world of auditing and policing were considered with the input of specialists in the profession and representatives from across policing.

DARA Performance

1.9 Work is underway in line with the plan with work underway on 56% (32% at report stage and 24% in progress) and time spent broadly as planned.

1.10 Following a successful recruitment exercise, two trainee auditors have now joined DARA commencing their journey to becoming qualified internal auditors. This is an exciting opportunity with the trainees joining our professional institute and commencing their studies to achieve the Certified Internal Auditor qualification. DARA colleagues are supporting and mentoring the new arrivals ensuring they receive practical advice alongside formal tuition.

2. Equality and Diversity Impact

The MOPAC and MPS commitment to diversity and inclusion are considered in all activities carried out by DARA. The DARA work plan is designed to provide as wide a range of coverage of MOPAC and the MPS as possible.

3. Financial Implications

There are no direct financial implications arising from the report. There is a risk of loss, fraud, waste and inefficiency if agreed actions arising as a result of audit activity are not implemented effectively. Savings and recoveries made as a result of DARA activity enable funds to be better directed towards core policing.

4. Legal Implications

There are no direct legal implications arising from the report.

5. Risk Implications

There are no direct risk implications arising from the report. Completion of the audit plan enables the Director of Audit, Risk and Assurance to provide assurance on the effectiveness of risk management arrangements.

6. Contact Details

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7. Appendices and Background Papers

Appendix – Summary of DARA Activity

MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
16 January 2023

Met Audit & Inspection Report

Report by: Director of Transformation

Non-restricted paper

Report Summary

Overall Summary of the Purpose of the Report

This report provides Audit Panel:

- A summary position of DARA and HMICFRS activity and engagement over the last quarter.
- In relation to DARA audits, since last quarter's report to Panel, the Met has received 10 **new actions** from 2 audits and 1 follow up audit that met the monitoring threshold. During the same period, 3 **actions were implemented** and are now proposed as closed. The total number of outstanding actions is now 22 (18 High priority).
- Details of two new inspections are provided along with updates from previous inspections.

Key Considerations for the Panel

As all external recommendations, including those from DARA and HMICFRS are now being tracked and monitored through the new Turnaround Programme, the format of this report is likely to change over the next few months.

Interdependencies/Cross Cutting Issues

By the very nature of the audit and inspection regime, there are considerable cross-cutting elements across the Met.

Recommendation

- To note the content of the paper and the travel of direction the organisation is taking in terms of recommendation delivery and monitoring.

1 Responding to recommendations

1.1. At the extraordinary Audit Panel on 28 November 2022, Panel members were apprised of the work to analyse all external recommendations and how these are being addressed through a new Turnaround Programme, using rigorous programme and project management to enable regular assessment of progress, identification of risks and issues and focused benefits realisation.

1.2. The integration of recommendations within the Enterprise Wide View of Change (EWOC) will introduce a tracking mechanism that provides an enterprise-wide perspective on the Turnaround Programme of activities, aligned to an emerging new Strategy under the leadership of the Commissioner and his new Board.

1.3. The programme will deliver against a number of recommendations, aligned with transformation programmes and others will be delivered through local improvement activity rather than programmes of work. The most recent Portfolio report showing progress is attached as **Appendix A** (*please note the appendix is **not** publishable*).

2 Risk and Assurance Board update

2.1. Risk and Assurance Board met on 1 December 2022 where they discussed progress of the Engage improvement plan; this was the same update as presented to Audit Panel at the extraordinary meeting on 28 November 2022.

3 Internal Audit update

Performance progress on Internal Audit metrics

3.1. The corporate performance framework currently 2022/23 contains the below audit metrics monitored under pillar 6: 'Pillar 6 Learn from Experience'. Q3 position is as follows:

1) Implement 90% of our high-risk audit recommendations within the deadline (FY 2022/23).
   Q3 2022/23 = 67%
   Current 2022/23 total = 69%

2) Increase the percentage of audits rated adequate or above. (Improve from the baseline - 64%).
   Q3 2022/23 = No audits received this quarter.

NB – figures are sourced from the audit plan tracker and therefore may not capture restricted audits, will not include advisory work and will be based on audits received at point of reporting.

3.2. Work is well underway to address those recommendations that missed the quarter deadline. All actions outstanding from the *Data Quality Framework Follow up Audit* have clear action plans in place to address the recommendations. The Data Quality data metrics and supporting process have been greatly enhanced since the audit was undertaken and regular measurement of Data Quality (DQ) both by selected core systems and highlighted data entry themes is in place as part of the Year of Data Quality initiative. Further work is planned across the Data Office to incorporate all existing data quality measures into a single set of metrics under Data Foundations. This coupled with the DQ data sourced from CONNECT will further improve our ability to maximise the value from our data. A new Data Science Team has also been set-up within the Data Office to assist in gaining maximum value from data sets. The introduction of ClearCore has not been approved as the solution for analytics. The additional functionality provided by the imminent introduction of Evidential Data Archive (EDA) and CONNECT, by May 2023 will improve capability in this area. The newly formed Data Science Team in the Data Office is tasked with further improving analytical capability and driving innovation.

3.3. Frontline Policing have asked that the final outstanding action from the *Predatory Offender Units Audit* stays open as POU structures (including staffing and tasking) is not yet uniform across all MPS BCUs. Evaluation of resourcing, time management and other practices will take time and progress will continue to be monitored against this recommendation until the evaluation is complete.

Internal Audits Progressed

3.3. Since last quarter's report, DARA have progressed three follow up reviews and we await the final report:

- **Online Crime Recording Follow Up Review: Adequate Assurance:** Remains adequate from initial audit. Key improvements noted in relation to the new cloud service provider and increased automation providing clarity when reporting crimes.

- **Criminal Exhibits Framework Follow Up Review: Adequate Assurance:** Previous audit graded Limited. Significant work noted as part of as part of Operations Sweep and Peridot.

- **Domestic Abuse Investigations Framework Follow Up Review:** Previous audit graded Limited. It has been noted that the DA Investigation Policy has been updated to align with Authorised Professional Practice and changes in legislation, but additional focus required on supervision, capability and capacity issues within Response and Investigation teams.

Once the audits are received, all actions will be reviewed and agreed by the Transformation Group for delivery through programmes or through local delivery.

Internal Audits – Fieldwork in Progress

3.4. The following audits and follow-ups have been marked as "fieldwork in progress". With our new approach to the governance of actions through Turnaround Group, it is imperative that attention is given to draft reports to ensure actions are coherent with the Met's transformation programmes. Actions will need to support the strategy and key priority areas.

Business Group	Type	Audit name	Senior Lead
Specialist Operations	Audit	SO18 Aviation Command – Delivery Framework	Matt Jukes
Frontline	Audit	Crime Recording Assurance Framework	Louisa Rolfe
Frontline	Follow Up	Serious Sexual Offences Command	Louisa Rolfe
Digital Policing	Audit	Digital Policing Control Environment: • Cloud Security and Management • Application Management and Deployment • Third Party Access	Darren Scates
Strategy & Governance	Follow Up	Risk Maturity Framework (incl. deep dive of a corporate risk)	Michelle Thorp
Met Ops	Audit	Firearms Licensing	Matt Twist
Specialist Operations	Follow Up	SO18 Aviation Command – Strategic Planning & Delivery	Matt Jukes
Met Ops	Audit	Taser Use & Control	Matt Twist
Met Ops	Audit	Use of ANPR systems	Matt Twist
Digital Policing	Follow Up	Digital Policing Control Environment (Application Management & Deployment)	Darren Scates

3.5. Looking at just DARA recommendations, at the time of writing the DARA tracker shows:
- 3 actions closed in the last quarter;
- 22 outstanding actions;
- 16 rated as High

These are all included within the EWOC.

For future audits we will be expanding our grip on audit actions and capturing all actions from formal audits, rather than just those graded as high risk. These will be managed through and reported on through the EWOC.

4 HMICFRS update

Overview

4.1. Since the last report to Audit Panel, the Met has presented twice to the HMICFRS Policing Performance Oversight Group (PPOG). Audit Panel received a comprehensive update on the Engage work on 28 November 2022. The next quarterly meeting will be in April 2023 (date tbc).

Forthcoming inspections

4.2. **Joint inspection of Youth Justice Services (Hackney Borough)**

HMI Probation will lead this inspection, supported by HMICFRS. The focus is within the Youth Offending Team (YOT) on Hackney Borough and HMICFRS involvement will be 6-10 February 2023 and the fieldwork limited to police officers who work with the YOT, or who are involved in work with young people locally.

4.3. **Prevention of Homicide (AC Louisa Rolfe)**
The Met is one of eight forces selected for a national thematic inspection on Homicide Prevention. Fieldwork across all forces will take place January - March 2023. While the dates for the Met inspection are not yet confirmed, we anticipate it will take place at the end of February (confirmation expected in early in January).

This inspection forms part of HMICFRS's 'smarter systems' work with the National Police Chiefs' Council, College of Policing and the Independent Office for Police Conduct and follows the recent publication of the NPCC homicide prevention framework.

The inspection will examine:

i. How effectively forces understand the pattern of homicide in their areas, including the underlying causes and risks; and

ii. How effectively forces contribute to the prevention of homicides, including how they use the homicide prevention framework.

Preparation and planning for this inspection are underway.

Previous inspections

4.4. **An assessment of current vetting and counter-corruption capacity and capability in policing across England & Wales – to include forces' ability to detect and deal with misogynistic and predatory behaviour (AC Barbara Gray)**
This national report was published on 2 November. HMICFRS made a total of 43 recommendations and 5 Areas for Improvement (AFI) for all forces to address. HMICFRS conducted an assessment of those that were duplicates of recommendations made as part of the Met specific inspection "*An inspection of the Metropolitan Police Service's counter-corruption arrangements and other matters related to the Daniel Morgan Independent Panel"* published in March 2022. As a result, 25 recommendations were closed resulting in 18 new recommendations and 5 AFIs for the Met to address. These are being addressed through the work of the Turnaround Programme.

4.5. **Serious Organised Crime (lead DAC McNulty)**
HMICFRS's reporting processes for this staggered programme of inspections is in its infancy and expected timelines have extended. We do not expect to receive the report before end March 2023.

4.6. **Death Investigation – MOPAC Commission (lead Cmdr Jon Savell)**
HMICFRS are still writing the draft report for this MOPAC commissioned inspection. We can expect to receive the draft report for pre-publication checks to be conducted (factual accuracy) by end January 2023; publication is expected end March 2023.

4.7. **Serious Youth Violence (lead Cmdr Alexis Boon**
There have been further delays to the publication date for this inspection report. Pre-publication checks on the draft report were completed and submitted to HMICFRS on 21 November 2022. The report is expected to be published in early January 2023.

4.8. **Joint Targeted Area Inspection (JTAI) (Lewisham Borough) (lead Cmdr Alexis Boon)**
JTAIs are focused on the 'front-door' services in a local authority. This short-notice multi-agency inspection, led by Ofsted, took place on Lewisham Borough 21-25 November 2022. The publication date for the final report is not known.

Recommendation monitoring

4.9. We have previously reported to Audit Panel the work happening to cleanse the Met tracker and HMICFRS monitoring portal of implemented recommendations. This has now been completed and we are confident that the HMICFRS Monitoring Portal is reflective of open recommendations; this has helped inform the work for the Turnaround Programme.

Purely focused on HMICFRS recommendations, with new reports published over the last quarter, at the time of writing the HMICFRS Monitoring Portal shows:

- 6 causes of concern;
- 52 recommendations;
- 27 areas for improvement

These are all included within the EWOC.

4.10. Our HMICFRS Force Liaison Lead has confirmed that only those recommendations on the Monitoring Portal are tracked by HMICFRS. However, recommendations emanating from Super-Complaints are included in the EWOC, to ensure implementation is monitored and delivered.

5 Equality and Diversity Impact

This paper outlines HMICFRS inspection activity and DARA audits. Any significant programmes of work undertaken to implement recommendations will be subject to equality impact assessment.

6 Financial Implications

There are no direct financial implications arising from this report. Any additional financial implications from the findings of audits and inspections will be subject to normal investment processes.

7 Legal Implications

There are no direct legal implications arising from this report.

8 Risk Implications

Inspections can highlight significant corporate risks. These are analysed by the Planning and Risk Team and included in the Met's risk management framework where applicable. This paper has no direct health and safety implications.

9 Contact Details

Report authors: Tracy Rylance and Rosiân Jones, Planning & Risk, Strategy & Governance

MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
16 January 2023

Draft Capital Strategy

Report by: The MOPAC Chief Finance Officer

Report Summary

Overall Summary of the Purpose of the Report
This report provides Audit Panel with the latest annual iteration of the draft MOPAC/MPS Capital Strategy.

Key Considerations for the Panel
Alignment of the planned investments with priorities and funding of investment.

Interdependencies/Cross Cutting Issues
Linkages with the Police and Crime plan priorities, MPS Transformation programmes, and the annual budget submission process.

Recommendations

The Audit Panel is recommended to:

a. Note and comment on the draft Capital Strategy

1. Supporting Information

1.1. This paper meets the requirement from Audit Panel for an annual report on the Capital Strategy. This is a draft for comment pending DMPC and final budget approval.

Draft Capital Strategy – Appendix 1

1.2. The draft 2023/24 Capital Strategy is set out at Appendix 1. This reflects updates to the capital investment programme taking into account:

- the MPS has undertaken a rigorous, prioritisation process in the identification of planned capital expenditure to ensure these are consistent with the Police and Crime Plan and by reference to the Met's Transformation Portfolio
- the phasing of the proposed spend to ensure that the organisation has the capacity and capabilities to deliver
- reviewed anticipated capital receipts both in terms of the expected values and timing, and
- the revenue implications of the proposals

1.3. The strategy notes the lack of general Government capital grant and the reliance that this will place on external borrowing in the future. As the opportunity for generating estates capital receipts decreases, increasing reliance will be placed on external borrowing to finance the balance. This will increase the cost of capital financing, which is funded from the revenue budget, which will create pressures on already stretched resources.

1.4. The capital programme 2022/23-2026/27 proposes £1,403m of investment, with planned levels of grant, receipts and borrowing to finance this investment. The full 20-year capital strategy shows estimated investment of £4,083m.

1.5. The investment in the estate and capital receipts arising from estate disposals is subject to the Commissioner's review of the estate strategy to take account of future operational factors, ways of working, budgets and timing. Work is underway in the following areas:

- Accommodating the uplift in officers within the MPS Anti-Corruption and Abuse Command who will transform the MPS ability proactively to identify, investigate and prosecute officers and staff engaged in corrupt and abusive activity.
- Delivering the strongest ever Neighbourhood Policing model to place officers into the heart of our communities.
- Making sure there are sufficient lockers and desks across the MPS Estate, in the right locations, to accommodate the uplift in Officer numbers.
- Incorporating the recent His Majesty's Inspectorate of Constabulary review findings in relation to exhibit stores.

- Considering how future training and leadership development can best be delivered through use of the MPS Estate.
- Progressing the Mayoral police ambition of Net Zero Carbon by 2030.

1.6. The review will take a number of months, after which it will need to be signed off by MPS Management Board and be submitted to MOPAC for scrutiny and approval. The expectation is that the estate strategy will be published in summer 2023.

1.7. Further detail on the influences on the strategy, the approach taken, and the investment and funding plans can be found in the draft Capital Strategy at Appendix 1.

Oversight

1.8. The Capital Programme is updated through the annual budget cycle and scrutinised by the MPS Management Board. Following the approval and submission of the draft Capital Strategy by the MPS as part of the MOPAC budget submission process capital is subject to oversight by MOPAC and the Deputy Mayor through her regular meetings with the Commissioner, the quarterly MOPAC Oversight Board, which she chairs, and regular bilateral meetings with the MPS Chief of Corporate Services.

1.9. Inclusion within the Capital Programme does not give authority to spend and individual projects are subject to the production of a business case using the Treasury Green Book methodology. Individual business cases are scrutinised and assured within the MPS via the Portfolio and Investment Board processes before onwards submission to the DMPC for approval.

1.10. At monthly Investment Advisory and Monitoring meetings all business cases for investment with a value greater than £500,000 are subject to scrutiny and challenge by MOPAC before a formal decision is considered by the wider GLA Corporate Investment Board and approved by the Deputy Mayor for Policing and Crime. This meeting also receives reports on the status of disposals and capital receipts.

1.11. Through the established quarterly performance reporting process MOPAC will scrutinise and challenge the MPS performance on capital spending. The Finance, Change and People Oversight Board provides a further forum for scrutiny and includes within its terms of reference securing the efficiency and effectiveness of the MPS, and undertaking routine oversight of MPS capital and revenue expenditure.

1.12. As well as seeking and receiving assurances as to the capacity and capability of the MPS to deliver the capital programme, in recognition of the historic trend of slippage and/or underspend on capital investment and the on-going review of the estate strategy, MOPAC will be working further with the MPS to develop better and more detailed oversight of capital investment.

2. Equality and Diversity Impact

There are no equality and diversity implications directly arising from this report. Equality Impact Assessments (EIAs) will be provided within each discrete decision on investment. Those assessments will then be published as part of the decision-making process.

3. Financial Implications

There are no direct financial implications arising from this report. Following approval of the capital programme all MPS capital investment follows a clearly defined governance process with review by the MPS Portfolio Investment Board (PIB) and MOPAC Investment and Advisory Meeting and approval by the Deputy Mayor for Policing and Crime.

4. Legal Implications

There are no direct legal implications arising from the report. Where relevant to specific projects these will be included in the individual approvals for capital investment.

5. Risk Implications

There are no direct risk implications arising from the report. Risk management for the capital programme is in line with the wider MPS corporate approach, with risks managed at three levels (portfolio, programme and corporate).

6. Contact Details

Report author: Alex Anderson, Strategic Accountant, MOPAC
Director: Amana Humayun, MOPAC CFO and Director of Corporate Services

7. Appendices and Background Papers

Appendix 1 – Draft Capital Strategy 2023/24

MPS-MOPAC JOINT AUDIT PANEL
16 January 2023

MOPAC Treasury Management Mid-Year Review for 2022-23

Report by: The MOPAC Chief Finance Officer

Report Summary

Overall Summary of the Purpose of the Report

This report sets out the 2022/23 Treasury mid-year performance against the 2022/23 Treasury Management Strategy Statement and forecasts.

Key Considerations for the Panel

Treasury activity has seen the MOPAC Group's investments outperform its investment benchmark by 0.16% over the six-month period ending 30 September 2022. Invested balances at 30 September 2022 were £498.95m.

Following the decision made in June 2022 to borrow £200m in order to improve liquidity, and to fund the capital financing requirement the MOPAC Group's borrowing levels have increased from £287.75m at 31 March 2022 to £486.95m at 30 September 2022.

All Treasury activity has been within the boundaries and levels set by the MOPAC Group and set out in the 2022/23 Treasury Management Strategy.

Interdependencies/Cross Cutting Issues

Risk register, governance, financial oversight

Recommendations

The Audit Panel is recommended to:

a. Note this paper

1. Supporting Information

1.1. This report provides detail of all investment and borrowing activities for the period from 1 April 2022 to 30 September 2022 and highlights relevant issues currently under consideration by officers. It provides a comparison of the closing investment and debt positions as at 30 September 2022 with the 2022/23 full year budget and revised 2022/23 full year forecast, where relevant.

1.2. All treasury activities were conducted within the parameters of the 2022/23 Treasury Management Strategy Statement (TMSS), alongside best practice suggested by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Central Government

Borrowing Activity

1.3. In the six months to 30 September 2022, several temporary loans of average size of £40.8m, were taken to support cash flow up until early June and were all subsequently repaid the following day. Furthermore, new long-term PWLB loan borrowing of £200m was undertaken during this period, increasing the total borrowing to £486.95m at 30 September 2022. The new long-term borrowing was taken in order to fund the MOPAC Group's capital financing requirement and to ensure the cash flow position remained positive. Advice from the relevant advisers was used to inform the decision and took account of projected cash flow levels and forecast interest rates.

1.4. No rescheduling of debt was undertaken during the six months ending 30 September 2022.

1.5. As at 30 September 2022 MOPAC's capital investment being financed by borrowing was £486.95m, with a further £430.75m of internal borrowing being used to finance capital investment. It is likely that further borrowing will be required in the future and the position will be reviewed on an ongoing basis.

Investment Activity

1.6. Investment balances as at 30 September 2022 were £498.95m, this being an increase of £497.44m over the £1.51m opening balance on the 1 April 2022.

1.7. The MOPAC Group has outperformed its investment benchmark by 0.16% during the six months ending the 30 September 2022. It has achieved a cumulative weighted average yield of 1.83% on daily balances against a benchmark of 1.67%. A further enhancement to performance is estimated at financial year end.

Treasury Management Budget

1.8. MOPAC is currently forecasting net interest costs of £16.56m, as compared to a budget of £28.8m, a £12.24m underspend. The main reasons for the variance are a decrease in forecast interest payable of £4.07m, and an increase in forecast investment income of £8.07m, reflecting the changes in the estimated interest position when the budget was set. In addition, the new PWLB Borrowing undertaken the end of June 2022 has increased the daily working balance and avoided continuous temporary borrowing for cashflow purposes.

2. Equality and Diversity Impact

There are no equality and diversity implications directly arising from this report.

3. Financial Implications

3.1. The financial implications are set out in the report. The direct cost of the GLA shared service function to MOPAC in 2022/23 is forecast to be £207K in line with the approved budget. The impact of the Treasury Management activity is reflected in the 2022/23 budget and the forecast position for the year is included in the quarterly financial monitoring reports.

3.2. The Treasury Management activity was carried out within the limits set in the annual Treasury management Strategy 2023/24 and no limits were breached.

4. Legal Implications

There are no direct legal implications arising from the report.

5. Risk Implications

5.1. The investment strategy is set to reflect the low risk appetite of MOPAC, and in line with the principles of the CIPFA Code of Practice. Borrowing is currently all fixed rate and with the Public Works Loans Board (PWLB) in order to provide certainty of exposure.

5.2. Whilst every effort is made to minimise the likelihood of an incident the failure of for example a counter party would generate risks to the sum deposited and reputational risk for MOPAC

6. Contact Details

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7. Appendices and Background Papers

Appendix 1 – MOPAC Treasury Management Mid-Year Review for 2022-23