MPS-MOPAC JOINT AUDIT PANEL
Monday, 27 March 2023, 14:00

New Scotland Yard – Room G1

Membership

Suzanne McCarthy (Chair)
Reshard Auladin
Graeme Gordon
Jon Hayes

Attendees

MOPAC
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

Audit Representatives
External Audit Grant Thornton – Mark Stocks, Parris Williams, Jasmine Kemp
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 3 July 2023

MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
16 January 2023

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
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
Ian Percival, Director of Finance
Commander Jon Savell, Professionalism
Aimee Reed, Director of Data

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

1. APOLOGIES FOR ABSENCE, INTRODUCTIONS AND DECLARATIONS OF INTERESTS

1.1 Apologies were noted from Kenny Bowie, Director of Strategy and MPS Oversight, MOPAC; and Assistant Commissioner Barbara Gray.

1.2 The Chair observed that it continued to be a period of transition for the MPS and correspondingly for MOPAC's oversight of the organisation.

1.3 The Chair commented on the importance for drafters of papers submitted to the Panel to be cognisant of their purpose of being prepared for consideration by the Joint Audit Panel. The Panel comprised independent members, and there needed to be clarity and an appropriate level of detail in the reports to enable the Panel to undertake its role sufficiently.

2. RECORD OF THE MEETINGS HELD ON 3 OCTOBER AND 28 NOVEMBER 2022

2.1 The record of the meetings held on 3 October and 28 November respectively were agreed. The completed actions were noted.

3. MPS DIVERSITY AND INCLUSION STRATEGY SIX-MONTHLY UPDATE

3.1 The Chair commented that the Panel had expected the paper to include the information it had requested when it considered the last update report at its July 2022 meeting. Considering that this material was not in the paper, the Panel asked the MPS to provide to the March Panel meeting a substantial update report on its Diversity and Inclusion Strategy and include the information previously requested.

3.2 Clare Davies advised that following the appointment of the new Commissioner, the MPS's performance framework and governance structure were being revised, including those aspects covering diversity and inclusion. By the Panel's March meeting there would be more clarity and also on whether there would be a dashboard for the Strategy.

3.3 The Panel requested that the report for the March meeting also articulate how the Strategy was changing under the under the new Commissioner, what aspects would be staying the same and the reasons for change or retention.

3.4 Aimee Reed referred the Panel to the paper providing an update on the new MPS Performance Framework (agenda item 7c) and advised the metrics relating to diversity and inclusion characteristics were being tracked and reviewed in the new framework – across the organisation.

3.5 Michelle Thorpe advised that the new Turnaround Plan was committed to delivering on the Diversity and Inclusion Strategy and to review and assess it.

Action 1: The MPS to provide for the March meeting a paper on its Diversity and Inclusion Strategy which:

- Provides a substantial update for the Panel on the Strategy, including how the Strategy was changing under the under the new Commissioner, what aspects would be staying the same and the reasons for change or retention.
- Details of the governance supporting the Strategy and Action Plan.
- Sets out how the MPS would be measuring the Strategy's impact and success.
- Demonstrates the supporting dashboard or advises on other means by which the MPS would demonstrate to the public progress on diversity and inclusion.

4. MPS COUNTER FRAUD STRATEGY AND FRAMEWORK SIX-MONTHLY UPDATE

4.1 Commander Jon Savell introduced the paper which provided an update on the work undertaken in respect of the MPS Counter-corruption Action Plan and the

MPS/MOPAC Anti-fraud, Bribery and Corruption Strategy. He clarified that the MPS/MOPAC joint strategy is now more explicitly referenced within the MPS' counter-corruption plan. The joint MPS and MOPAC responsibility for the Anti-fraud, Bribery and Corruption Strategy prevented it from being totally incorporated into the MPS' Counter-corruption Action Plan.

4.2 The command assessments of the management of property stores, gifts and hospitality registers and business interest registers had been completed, preceded by mandated line manager conversations across Frontline Policing. A review of Business Group risk registers was being undertaken to ensure risks were identified and that there was relevant governance and oversight of control strategies. There would be a commercial assurance and audit of 'low-level' procurement in 2023 to ensure the policy and appropriate scrutiny continued to be effective.

Action 2: The MPS to provide an update on its counter fraud strategy and action plan to the Panel's July meeting.

Resolved: The Panel:

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

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

5. MPS TRANSFORMATION PORTFOLIO SIX-MONTHLY UPDATE

5.1 Michelle Thorpe introduced the MPS dashboard for tracking progress against the Turnaround Programme. The Panel was advised of the work to distil the information to track progress against the recommendations the MPS had received following a range of reviews and inspections. It was noted that while recommendations could be on track (and showing as 'green'), the programme relating to those recommendations could require more work and therefore be recorded as 'red'.

5.2 New governance arrangements were being developed along with a new reporting structure and these were outlined for the Panel. The Panel advised it would have been useful for these to have been addressed in a covering report to add clarity to the information submitted for this meeting.

5.3 The Panel noted the need for the transformation work and Turnaround Plan to include the required attention to governance, risk management and assurance, addressing concerns it had previously raised. Michelle Thorpe confirmed that this work was underway. The Panel asked that this be detailed in a report to its March meeting.

5.4 The Panel asked how well the commitment to transformation was cascading throughout the organisation. It was advised that there was a growing awareness of the programme and there was an increasing focus on internal communications.

Action 3: MPS to report to the March meeting with a further update on the transformation portfolio, including assurance that governance, and risk management and assurance, were being given the required attention in transformation work and future strategic approach.

Resolved: The Panel noted the contents of the dashboard.

6. EXTERNAL AUDIT UPDATE

6.1 Parris Williams introduced the Grant Thornton report which provided an update on the Joint Audit Findings arising from the statutory audits of the MOPAC and MPS financial statements for 2021/22. A value for money opinion would be provided at the March meeting.

6.2 An unqualified opinion was issued in November 2022 and the accounts were signed. The external auditors had no significant concerns.

6.3 The Panel was advised of the processes that had been put in place for the external auditors to obtain assurance on covert assets where advanced vetting was required. Parris Williams advised that it would be in line with the Financial Reporting Council requirements.

6.4 The Chair noted that the report did not contain the management responses to the recommendations and asked that these be circulated to the Panel outside of the meeting.

6.5 There was a discussion of the increase in external auditing fees following the PSAA's re-procurement exercise and the reappointment of Grant Thornton from 2023/24.

6.6 The Panel noted mention in Grant Thornton's report of a letter explaining the reasons for the delay in issuing its Annual Report. It requested that this letter be shared with the Panel.

Action 4: MPS and MOPAC to circulate to the Panel outside of the meeting their management responses to the recommendations in the external auditor's report.

Action 5: Grant Thornton to share with the Panel the letter explaining the reasons for the delay in issuing its Annual Report.

Resolved: The Audit Panel noted the external auditor's joint findings for MPS-MOPAC.

7. MOPAC AND MPS GOVERNANCE IMPROVEMENT PLANS

MOPAC Governance Improvement Plan Report

7.1 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. It focused on the work on internal governance, communication with partners and stakeholders, and on ensuring that oversight of the MPS reflected the issues raised in HMICFRS recommendations and Police and Crime Plan priorities.

7.2 The Chair noted that the recommendation to have a shared service with Transport for London (TfL) for procurement had been on hold for a considerable period of time. The Panel was advised that TfL provide the procurement function for the GLA Group and while there was a commitment for MOPAC to use this function, restructuring within TfL had delayed this.

7.3 The Chair also noted that the recommendation to embed a standardised process for measuring success for each policy and commissioned service had no target date for completion. The Panel was advised that MOPAC's revised quarterly performance reporting, which it publishes on its website, had addressed some of this, although work was required on demonstrating the benefits. This action would be made clearer in the Governance Improvement Plan.

Action 6: MOPAC to make clearer the recommendation in its Governance Improvement Plan relating to embedding a standardised process for measuring success for each policy and commissioned service and a target date.

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

MPS Governance Improvement Plan and MPS Performance Framework Development

7.4 Michelle Thorpe introduced the report which provided an update on the MPS's Governance Improvement Plan arising from the 2021/22 Annual Governance Statement.

7.5 The Panel noted the work on assurance controls and advised that undertaking an exercise to map assurance would assist with this as previously discussed. They also reiterated the need to ensure the strategic approach to assurance was defined.

7.6 It was also noted that the Internal Audit Annual Report highlighted eleven strategic/ underlying issues and the MPS was asked to include in the report for the March meeting how these were being addressed.

7.7 Michelle Thorpe advised that the MPS had commissioned an external review into the root causes of inspection and review recommendations, and that the outcome would be reported to the Panel upon completion.

7.8 The Chair noted that the paper the MPS had provided updating on the delivery of the new MPS Performance Framework was very clear. Aimee Reed advised that the intention was for the Performance Framework to improve the MPS's performance delivery for Londoners. It would provide a whole system view of the MPS's performance; tracking outcomes, activities and enabling services.

7.9 The Panel was advised of the internal consultation that had been undertaken in the Framework's development, with a number of user groups at different levels of the organisation. The Open Data Institute was also being consulted in the Framework's development.

Action 7: MPS to include in its March report an update on how the strategic/ underlying issues that had been highlighted in Internal Audit's Annual Report were being addressed.

Action 8: MPS to report to the Panel on the outcome of the root cause external review when completed.

Resolved: The Audit Panel noted the progress made in the recent quarter – including two new areas added since the last quarter and the update provided on the implementation of operational learning and how it linked to the corporate risk register.

8. MOPAC AND MPS RISK MANAGEMENT QUARTERLY REPORTS

MOPAC Report

8.1 James Bottomley introduced the MOPAC Risk Management Report, which provided an overview of risk for MOPAC, and an update on the agreed set of corporate risks and control actions.

8.2 Diana Luchford advised that Risk 1 “MOPAC does not have the right capabilities and capacity to achieve MOPAC's mission including delivery against statutory function” had now become an issue and outlined the reasons for this and the steps MOPAC was taking to address it. The Panel was advised that the situation was improving.

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

MPS Report

8.3 Michelle Thorpe introduced the MPS’s Risk Management Report, which provided an overview of the MPS’s corporate risks and the status of their controls, and a high-level summary of the risk maturity plan.

8.4 The Panel raised some questions in relation to the accuracy and validity of the risk assessment as it was presented and how effectively risk management was being applied in practice.

8.5 Michelle Thorpe advised that the risk management process was being reviewed in light of the MPS’s Transformation Programme and the Turnaround Plan. The Panel was advised that Board leads were also discussing with the risk team the most pressing risks and issues in their areas.

Action 9: MPS to include in its March report the revised and up to date risk assessment, and assurance on the application of the updated risk management approach.

Resolved: The Audit Panel noted the MPS’s key risks and the governance arrangements as presented whilst noting the current status of the risk assessment.

9. INTERNAL AUDIT QUARTERLY ACTIVITY REPORT

9.1 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.

9.2 The Panel was advised that key pieces of advisory work had been completed, with DARA’s increased focus on providing real time advice to senior management at this time of significant change. Further review activity would be aligned with the Commissioner’s priorities.

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

10. MPS AUDIT AND INSPECTION REPORT

10.1 Michelle Thorpe 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.

10.2 The Chair noted that several high risk recommendations remained outstanding. The Panel was advised that all external recommendations were now being tracked and monitored through the new Turnaround Programme and that the format of the report would change, giving a clearer understanding on what recommendations were being taken forward and why and any revised timescales.

10.3 The Panel Chair sought greater clarification going forward on the dates for implementing high risk recommendations.

Action 10: MPS to include in its future Audit and Inspection Reports dates for implementation of the high risk recommendations.

Resolved: The Audit Panel noted the content of the paper and the direction of travel the organisation was taking in terms of recommendation delivery and monitoring.

11. DRAFT CAPITAL STRATEGY 2023-24

11.1 Amana Humayun introduced the report providing the latest annual iteration of the draft MOPAC/MPS Capital Strategy.

11.2 The Panel noted the risk that there may be underspend in planned capital expenditure, as had occurred in previous years, and asked what controls were in place to avoid that. Ian Percival advised the Panel of the process that had been implemented, including the review of optimism bias and the implementation of scrutiny sessions to challenge the delivery assumptions.

Action 11: The next update on the Capital Strategy to focus on the control framework supporting delivery of the Strategy.

Resolved: The Audit Panel noted the draft Capital Strategy.

12. TREASURY MANAGEMENT MID-YEAR REVIEW FOR 2022-23

12.1 Amanda Humayun introduced the report setting out the 20022/23 Treasury mid-year performance against the 2022/23 Treasury Management Strategy Statement and forecasts. There had been a marginal but positive performance of the investment benchmark.

13. AOB

13.1 The Panel's next meeting is scheduled for 27 March 2023

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METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
27 March 2023

Transformation Portfolio Update

Report by: Michelle Thorp, Interim Chief of Strategy & Transformation

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Report Summary

Overall Summary of the Purpose of the Report
To provide an update on the Transformation Portfolio, including a summary of work being done on and the future approach to governance, risk management, and assurance.

Key Considerations for the Panel
Panel Members to note enhanced Board level accountability, which directly links governance to performance and delivery.

Interdependencies/Cross Cutting Issues
N/A

Recommendations

The Audit Panel is recommended to:

a. Note the governance, risk and assurance processes detailed below.
b. Note Appendix 1 –Tier 1 Portfolio Report 1 March 2023.

1. Supporting Information

1.1. Governance, Risk Management and Assurance

1.2. The Transformation Directorate helps the Met to deliver change well and, specifically, supports the organisation to deliver the Turnaround Plan and our mission of More Trust, Less Crime, and High Standards. To do this, a Turnaround Portfolio has been created, comprising (as of March 23) 22 programmes delivering against the nine priorities of the Turnaround Plan. This portfolio is set to deliver against the outcomes set out in the plan, as well as recommendations from a number of reports, including from HMICFRS and the Baroness Casey Review.

1.3. To help support the ambitious scale of change set out in the Turnaround Plan, each of the Turnaround Priorities has an accountable lead at Board level. By having named Board leads for each priority, with Senior Responsible Owners (SROs) working directly to them and accountable for delivery of Turnaround programmes, we have built governance into line management and have directly linked performance and delivery.

1.4. Supporting this, we have created a Transformation Group, chaired by the Chief People and Resources Officer. This Group provides oversight of delivery risks, reporting into the Portfolio Investment Board (PIB), which has corporate responsibility for the governance, financial approval, and management of risks and issues across the Turnaround portfolio. Transformation Group has representation from across the business, including Directors of Enabling Functions, and SROs for all programmes in the portfolio; it receives monthly progress reports on the status of the turnaround portfolio, and the level and balance of risks and can initiate deep dives as necessary. The Group will actively manage the schedule of change, smoothing out the change load across the organisation, will make recommendations to PIB on the allocation of resources to change activity, and will escalate risk where it is necessary and appropriate and cannot be managed by Programme Boards.

1.5. Supporting this, we continue to maintain and develop an Enterprise Wide View of Change (EWOC) that provides us with oversight of all of the change activity underway across the Met. This system supports a new team of Business Engagement Managers who are working with ACs and their Chief Officer Groups (COGs), to help them understand and prioritise both the change they are delivering and the change they are receiving.

1.6. We also continue to manage risk through programme boards, with escalation to the Transformation Group where treatment of the risk is not within the gift of the programme. The Portfolio Office continue to assess risk across the portfolio through categorisation of programme level risks (see annex), allowing us to identify areas of common concern which, although they might not breach tolerances individually, present a combined risk to delivery.

1.7. Furthermore, recommendations made by our independent, internal auditing body, Directorate of Audit, Risk and Assurance (DARA) have been mapped against our Turnaround Plan. Activity against those recommendations and recommendations from other bodies including HMICFRS are monitored quarterly by our Risk and Assurance Board.

1.8. As part of the Transformation framework we also provide monthly assurance and adhoc support to the programmes to ensure that risks are tracked and managed accordingly. Risk tolerance thresholds will be set via an escalation route (Programme Board, Portfolio Office, PIB) this is based on the RAG rating, which the programmes adhere to. High level risks and issues across the portfolio are reported to PIB on a monthly basis in our Tier 1 report categorising the level of risks in each area.

1.9. Together, this governance helps ensure the MPS can absorb the change and continue to deliver the required quality of service during transition within an acceptable level of risk tolerance.

2. Equality and Diversity Impact
N/A

3. Financial Implications
N/A

4. Legal Implications
N/A

5. Risk Implications
N/A

6. Contact Details
Report author: Tom Holman, Head of Portfolio Delivery

7. Appendices and Background Papers

Appendix 1 – Tier 1 Portfolio Report

MPS-MOPAC JOINT AUDIT PANEL
27 March 2023

MOPAC Oversight of MPS Transformation

Report by: The Director of Strategy & MPS Oversight

<u>Report Summary</u>

Overall Summary of the Purpose of the Report
This paper outlines changes to its oversight of the MPS in fulfilment of the action from the November 2022 meeting.

Key Considerations for the Panel
To note MOPAC's current oversight approach and consider the additional approaches going forward.

Interdependencies/Cross Cutting Issues
MOPAC's oversight approach sits within MOPAC's wider governance framework.

<u>Recommendation</u>
That the Audit Panel notes MOPACs oversight approach.

1. Background

1.1 MOPAC last presented its oversight framework of the MPS to the Audit Panel in November 2022. This paper builds on the previous by clarifying how oversight of the MPS's Turnaround Plan is being built into this framework.

1.2 The Mayor's Police and Crime Plan (PCP), published six months before the MPS was moved into 'Engage' by His Majesty's Inspectorate of Constabulary and Fire and Rescue (HMICFRS), includes an outcomes framework which is being used to track effective delivery of the plans aims. This provides the basic structure for MOPAC's oversight of the MPS.

1.3 By the time the MPS was placed into 'Engage', MOPAC had already taken steps to refresh its approach to oversight to place greater focus on key topical issues as well as ensuring that meetings cover strategic issues aligned to the PCP. As the majority of HMICFRS's concerns aligned to existing PCP priorities – notably *better supporting victims, increasing trusting confidence, and* *protecting people from being exploited or harmed* – oversight of these concerns could be effectively embedded into our existing arrangements.

1.4 Similarly, as the MPS's draft Turnaround Plan was informed by the causes of concern identified by HMICFRS, MOPAC's current oversight approach remains – in the main – fit for purpose for overseeing its implementation. However, there are areas where we intend to strengthen our approach further.

2. MOPAC's oversight approach

2.1 MOPAC's routine **high-level oversight approach** is as follows:

- Mayoral bilateral meetings with Commissioner – fortnightly
- Mayor bilateral with Assistant Commissioner for Special Operations (ACSO) – 6-weekly
- Deputy Mayoral bilateral meetings with Commissioner – fortnightly
- Deputy Mayoral bilateral meetings with Deputy Commissioner – 6-weekly
- Performance and Risk Oversight Board – quarterly
- Finance, Change and People Oversight Board – quarterly
- Deputy Mayor one to one meetings with the members of MPS Management Board – 6-weekly
- Having seats on various MPS Boards (e.g. Risk and Assurance Board)

2.2 Each of the oversight meetings between MOPAC and the MPS is **thematically planned** via regular planning and co-ordination meetings, including working closely with the Commissioner's Office and their performance team, to ensure discussions are aligned and consistent. This approach ensures oversight is focussed on those areas that will have the greatest impact in terms of driving improvement. For example, we are focussing our Bilat agendas more specifically on the Turnaround and PCP priorities, and we are beginning to theme 1 to1 meetings with Management Board members so each relates to a specific Turnaround priority.

2.3 We are also using the MPS's list of consolidated recommendations from external reviews – including those emerging from HMICFRS's latest PEEL inspection - to inform its oversight planning and changing our internal governance discussions so that they also align thematically.

2.4 MOPAC and the MPS also hold **deep dives and seminars** on various themes. For example, in February we held a productive two-hour session with MPS leaders on the draft Turnaround Plan, focussed on how to build momentum and ensure there is sufficient capability and capacity to deliver it.

2.5 MOPAC also facilitates **community oversight** of the MPS by running the Independent Custody Visitor (ICV) scheme and supporting the work of Stop and Search Monitoring Groups and Safer Neighbourhood Boards. Existing engagement mechanisms are currently being reviewed to ensure they are more transparent and accessible, particularly to London's Black communities.

2.6 We have created additional posts within our Strategy and Oversight Directorate to improve our **performance and oversight capacity**, including scrutinising misconduct cases and our ability to respond to the Casey and Angiolini reviews. These posts should be filled within the next few months.

2.7 We have also strengthened MOPAC's wider oversight capability by ensuring it is **'everybody's responsibility'** within the organisation. We have introduced an internal inbox where all MOPAC staff are encouraged to feed in their insights – whether from partners, suppliers, or directly from the public - to improve MOPAC's oversight over the MPS. MOPAC's Evidence and Insight team also provides insight to feed into oversight activity and to help the Met to improve the way it delivers its services to Londoners. For example, getting the views of the public through the Public Attitudes Survey (19,200 Londoners annually) and the views of victims from the User Satisfaction Survey (x9,600) and Telephone Digital Investigation Unit survey (x10,000).

3 Building on the oversight approach

3.1 MOPAC has already provided extensive feedback to the MPS on the **draft Turnaround Plan**, which led – for example – to an even greater focus on victims. We have been supporting the MPS to engage as widely as possible during the consultation period, including linking the MPS with groups and individuals and sharing the draft with voluntary and community sector organisations we work closely with. We are pleased that the Plan will be revised based on feedback and the findings of the Casey Review.

3.2 MOPAC has a seat on the MPS's **Turnaround Board**, where we oversee progress against the Plan and provide feedback and challenge to the MPS. We have agreed with the MPS that MOPAC will be closely involved in the nine strands of the Turnaround Plan, working with the lead on each, and will pull that together at Oversight Board (Finance, Change and People) to monitor delivery. We will be using the Performance and Risk Oversight Board to take a strategic view of how the Turnaround Programme is looking as a whole.

3.3 We are also in the process of expanding the scope of the London Child Protection Improvement Oversight Group which was established to oversee improvements to MPS child protection and safeguarding practices in response to failings identified by HMICFRS. The refreshed Board will focus on providing strategic oversight of broader **public protection arrangements**, including MPS performance against Police and Crime Plan outcome measures and implementation of the public protection strand of the MPS Turnaround Plan (including how far it is addressing the causes of concern identified by HMICFRS), whilst maintaining the strong focus on child protection. We aim to build in stronger feedback loops between this Board and relevant partnership forums (e.g. London Safeguarding Children's Partnership Executive).

3.4 We may need to consider further changes to our oversight approach depending on the findings of **Baroness Casey's Review** of culture and standards (which may have been published by the time of this meeting).

4 Equality and Diversity Impact

MOPAC's oversight framework supports delivery of the Police and Crime Plan, which aims make all of London's diverse communities safer. The Plan sets out commitments expressly intended to further social integration and community involvement in policing and safety, and to reduce longstanding disproportionalities in the policing of Black communities in London. The Mayor expects the MPS to deliver a complete plan for restoring the trust and confidence of Londoners and driving out the racism, homophobia, transphobia, bullying and misogyny which still exists. Our oversight framework ensures MOPAC is holding the MPS to account for driving these changes.

5 Financial Implications

There are no direct financial implications emerging from this report.

6 Legal Implications

There are no direct legal implications from this report

7 Risk Implications

The MPS will be reviewing its corporate risk register in 2023 in line with the Commissioner's forthcoming strategy. MOPAC sits on the MPS Risk and Assurance Board and provides a critical point of view.

8 Contact Details

Author: Kate Lloyd, Head of Policing Policy, kate.lloyd@mopac.london.gov.uk

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METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL 27 March 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.

Key Considerations for the Panel

Review the 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. London's Violence Reduction Unit (VRU) is hosted by MOPAC and all resourcing and finance services are the same for VRU and MOPAC employees. When the Corporate Risk Register was refreshed in 2022 the views of the VRU were incorporated into the risk identification exercise. Further discussion has taken place to ensure that subsequent controls reflect and include both MOPAC and VRU, details of proposed changes are set out below.

MOPAC review of corporate risk

1.3. Since last reported to Panel in January 2023, the internal review of MOPAC's corporate risks has led to one new risk being added to the corporate risk register, further control actions being added and a proposed change to one risk description.

New Risk

1.4. MOPAC is currently transitioning to a new IT shared service from its current provider of the Greater London Authority, to the new provider of Transport for London. This is a large work programme and is being led for MOPAC by Corporate Services Directorate. Through discussions at the Governance and Risk Working Group and then escalated to MOPAC Board it has been agreed that a new risk be added to the corporate risk register.

(NEW) Risk 6 - Failure to deliver a modern, consistent and reliable technology experience for MOPAC's users.

1.5. Controls are being put in place to ensure that the transition includes appropriate information governance and cyber security policies, and that all appropriate shared service staff working on MOPAC IT systems are appropriately vetted. There is a risk that if the transition is not done effectively that it will impact on MOPAC's ability to access shared documents and collaborate.

VRU and MOPAC

1.6. A review of risks and controls to ensure that the VRU is sufficiently incorporated where appropriate has led to a proposed change to the description of Risk 1. To make this more explicit it is proposed to include 'MOPAC and VRU' within the description, and throughout within the controls.

1.7. Since last reported, 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 4 – Develop and implement a new outcomes focused performance framework for the VRU
- Risk 4 – VRU to provide scrutiny to national VRU performance
- Risk 4 - Understand what the Met Governance Framework is to support decision making and oversee progress of the Turnaround Strategy
- Risk 4 – Assessment of sub-plans in Turnaround Plan

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 (reinstated on the CRR) - MOPAC does not have the right capabilities and capacity to achieve MOPAC's mission including delivery against statutory function

1.10. At MOPAC Board on 17th January it was agreed to reinstate this as a corporate risk. Progress continues to be made to address a number of resourcing pinch points across the organisation, which were having a cumulative effect. The resourcing tracker is a standing item at MOPAC Board to ensure strategic oversight of the continuing risk. As recruitment campaigns have been completed, we are seeing more of the successful candidates being onboarded and in post. This is likely to increase into early Q1 2023/24.

1.11. As above, following discussions with the VRU, MOPAC is reviewing the risk description for Risk 1. Proposal is that it change to the following

1.12. *MOPAC **and the VRU** does not have the right capabilities and capacity to achieve **their** missions including delivery against statutory function*

1.13. 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

1.14. Work to address the control actions is progressing well. Additional resources are expected in the Partnership team by end of Q4 22/23. All new Boards and Forums are up and running and it is felt that they are sufficiently embedded to complete the control actions. The Head of Partnerships has been meeting with councillors, community safety leads and safeguarding leads across the 32 boroughs to better understand the role MOPAC and councils could have.

1.15. The risk remains high impact, medium likelihood. The controls are on track and show an improved 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 Q1 23/21 once more resource is in place.

1.16. 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.

1.17. The focus of the controls is staff engagement and inclusion with a lot of this work centred on the new People Strategy. It is felt that progress in the development of effective frameworks for wellbeing and the refresh of staff engagement warrants these controls to be completed. MOPAC is in the process of conducting a pulse survey of its staff which will ensure that it continues to listen to staff feedback whilst reviewing and refreshing strategies.

1.18. 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 cohesive leadership, EDI strategy and the People Strategy.

1.19. 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

1.20. Our management of short-term vs longer term sustainable work is a key factor in our ability to demonstrate impact. This is linked to Risk 1 and our resourcing pressures. The control is an assessment on a case-by-case basis, whilst being aware of any cumulative effect of issues and escalating to MOPAC Board as necessary.

1.21. At the time of the monthly review, the MPS hadn't updated its corporate risk register, so it was felt that there wasn't good visibility of the scale of short-term vs long term risks for the MPS. Further assurance is needed around the governance arrangements in place in the MPS to oversee the changes and make decisions.

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

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

1.24. With the return to MOPAC of the CFO, all controls that sit under this risk have been reviewed to ensure that they remain focused. The timescales have also been reviewed so that they are linked to the 2023 budget setting process.

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

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

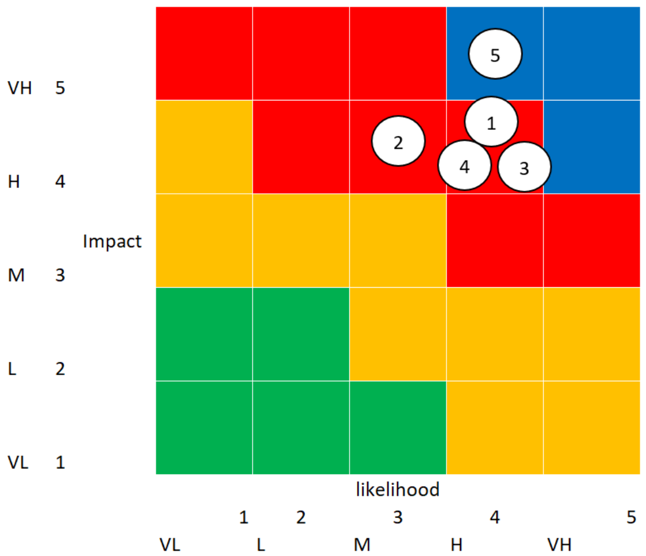
Appendix A: MOPAC corporate risk overview

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	CEO
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.	Chief People Officer
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
NEW 6	Failure to deliver a modern, consistent and reliable technology experience for MOPAC’s users.	Chief Finance Officer

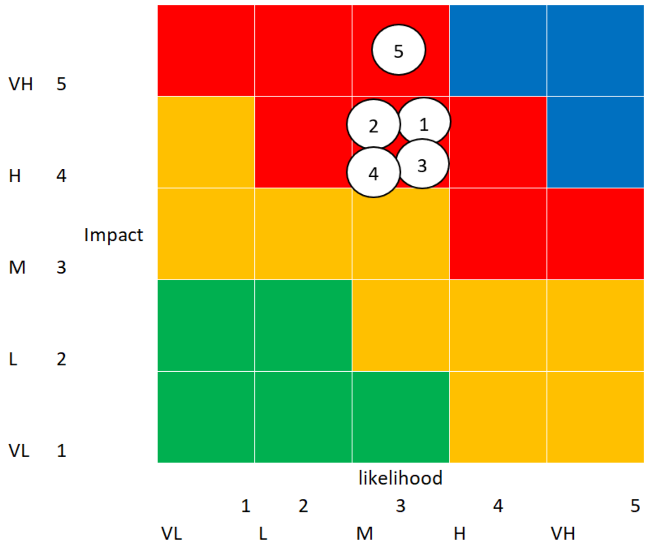
Inherent risk

Risk score map



Residual risk

Risk score map



MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
27 March 2023

Met Risk Management Report

Report by: Interim Chief of Strategy & Transformation

Non-restricted paper

Report Summary

Purpose

This report provides Audit Panel with a synopsis of a rapid review of corporate risks and issues aligned to the Met's mission of More Trust, Less Crime, High Standards. It outlines the new register for 2023 and the process to ensure progress in controlling the risks and issues.

Risk and Assurance Board (RAB) discussed and approved the outcome of the review at its meeting on 7 March.

Key Considerations

RAB agreed that many of the themes from the risk register as identified in June 2022 remain relevant, but that the focus of six risks should be reframed to ensure current concerns are reflected in the descriptions.

The refresh process identified three significant new issues – 'Reform & Legitimacy', the 'Engage status' and 'Money'. RAB agreed that these should added to the corporate risk and issue register.

RAB also agreed to amalgamate two separate 'People' risks from the 2022 risk register into one issue; the legitimacy risk was subsumed into the new Reform & Legitimacy issue.

The report also responds to the action raised at the last meeting to bring "*the revised and up to date risk assessment, and assurance on the application of the updated risk management approach*".

Interdependencies/Cross Cutting Issues

The Met's Governance Improvement Plans (reported in a separate paper) include controls for some corporate risks.

Recommendations

The Audit Panel should: note the Met's key risks and issues and the governance in place to ensure effective management of them.

Corporate risk and issue refresh - approach and findings

1.1. At the last meeting, Audit Panel raised an action: "*MPS to include in its March report the revised and up to date risk assessment, and assurance on the application of the updated risk management approach*".

1.2. In January 2023 we carried out a rapid review of the Met's corporate risk and issue register, taking into consideration the collective views of Management Board members and in the context of the Met's mission of More Trust, Less Crime and High Standards. This was to ascertain if the register was accurate and up-to-date.

1.3. Broadly, the thematic areas were still considered to be relevant but a change of focus was required for some, and new issues were identified.

1.4. RAB discussed and agreed most proposals at its meeting on 7 March. Three new issues were opened:

- Reform & Legitimacy
- Engage status
- Money

1.5. While RAB agreed to a Reform & Legitimacy issue being opened, the issue description was not agreed. We are undertaking further work to determine an appropriate description and controls required. At the time of writing, this was still being conducted.

Reframing of existing issues

1.6. The issue of Standards remains in sharp focus, and RAB agreed that a specific issue should remain on the register rather than being subsumed into the Reform and Legitimacy issue. They agreed to a slight rewording of the description to ensure 'culture' is incorporated. The previous description was "*Public confidence in policing in London is further undermined by the reality and perception of professional standards in the Met*". RAB agreed to change this to "*Trust and confidence in the policing of London is undermined by poor professional standards and culture in the Met*".

1.7. RAB agreed to amalgamate two separate 'People' risks into one issue. The previous risk descriptions were "*Failure to attract, recruit and retain a diverse and representative workforce and support their progression within the organisation*" and "*Failure to meet FY 2022/23 growth target*". This combines attraction, recruitment and retention with the need for a diverse workforce. It was agreed as "*Inability to attract, recruit and retain people to ensure we have a sufficient, suitable and diverse workforce*".

Reframing of existing risks

1.8. RAB agreed to refine the descriptions of six existing risks to ensure they are focused on the right areas of concern. These are:

- <u>Criminal Justice (risk 6)</u> – Previous risk description was "*Inability to influence external issues related to Criminal Justice system leading to sub-optimal performance*".
- This has been changed to "*Failure to prepare for changes to the Criminal Justice System leading to sub-optimal performance and poor outcomes for victims*";

- <u>Implementation of CONNECT & Command and Control (risk 7)</u> - Previous risk description was "*Failure to successfully deliver CONNECT and Command & Control significantly undermining operational delivery*".
- This has been changed to "*Failure to successfully deliver CONNECT and Command & Control and harness their benefits significantly undermining operational delivery*";

- <u>Capability & Preparedness (risk 8)</u> – Previous risk description was "*Failure to ensure our workforce is appropriately skilled to deliver effectively in a changing environment".*
- This has been changed to *"Failure to ensure our workforce is appropriately skilled so that they are fully confident and able to perform effectively in meeting the demands they face*";

- <u>People (Competency / Capability) (risk 9)</u> – Previous risk description was "*The level of inexperience or lack of confidence alongside stretched or the lack of supervision leads to service failures*".
- This has been changed to "*The level of inexperience across ranks of the Met alongside stretched or the lack of supervision leads to service failures*";

- <u>Crime Prevention & Proactivity (risk 12)</u> – The previous risk description was "*Insufficient and ineffective crime prevention fails to prevent victimisation and undermines community confidence in policing*".
- This has been changed to "*Insufficient and ineffective crime prevention and proactivity fails to prevent victimisation and undermines community trust and confidence in policing*"; and

- <u>Cyber (risk 13)</u> – Previous risk description was "*A lack of appropriate security controls could lead to a compromise in confidentiality, integrity, accessibility of our IT systems and the data therein*".
- This has been changed to "*Lack of preparedness to deal with a sophisticated attack could lead to a compromise in confidentiality, integrity, accessibility of our IT systems and the data therein*".

1.9. The description for Public and Local Engagement (risk 11) was considered to still be appropriate and therefore not changed.

1.10. The previous Technology risk description was "*Lack of a clear roadmap and sufficient capabilities at all levels means we don't fully exploit digital and data*" but this is considered to no longer be accurate. RAB discussed proposals for a discrete risk relating to Technology (risk 10) and requested more work on the risk description and controls; at the time of writing, this work has not been completed.

1.11. **Appendix A** is the summary of the Met's corporate risk and issue register.

Revised approach for corporate risk and issue reporting

1.12. We have revised our approach for corporate risk and issue reporting. We are moving away from detailed quarterly activity updates and requiring risk owners to report on the efficacy of the controls in place, specifically:

- How it will contribute to reducing the impact of the issue; and
- How, to what extent, and over how long will it will reduce the Likelihood and/or the Impact (benefit(s), cost (value for money, resource required, achievability, timescales, effect on likelihood/impact of risk).

1.13. The new reporting template also emphasises assurance measures:

- Source of assurance;
- Type of assurance (1st line, 2nd line or 3rd line);
- Level (high, medium or low); and
- Date when last assured.

1.14. Although we are still developing this approach, we have provided Panel members with information on three issues and four risks at **Appendix B.** This includes the Turnaround Plan priorities and business areas impacted, as well as risk appetite and key controls. Detailed templates for all risks can be provided if required.

1.15. DARA and MOPAC representatives supported this change in approach at RAB. They were particularly pleased with the introduction of focus on key controls and their respective assurance measurements. However all RAB members agreed more work is needed to further develop this approach. Over the coming quarters, guidance notes and coaching will be provided to all Working Leads to support this.

Risk maturity improvement plan

1.16. The Executive Re-design work has broadly been completed but the governance review continues. The relationship of managing risk between the Transformation Group and Performance Board with Risk and Assurance Board and Portfolio and Investment Board are being determined; this will cover escalation routes, governance and risk ownership. As part of the review, expectations will be set for what business groups should have in place to ensure the effective management of risk. This gives us the opportunity to set consistent standards across the organisation. We anticipate the review will be complete over the coming quarter.

1.17. In February 2023, we issued the next round of risk maturity self-assessments. We are currently analysing the findings and will report to the next meeting any additional activity identified to improve our risk maturity. This activity will be included in the risk maturity improvement plan, which is a living document to ensure continuous improvement.

2. 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.

3. 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.

4. 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.

5. Risk Implications

The corporate risk report assists the Met to ensure organisational objectives are achieved with a particular focus on whether controls are fit for purpose and manage risk areas as intended.

6. Contact Details

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8. Appendices and Background Papers

Appendix A – Summary of corporate risks and issues – March 2023
Appendix B - Example corporate risks and issues – March 2023

ISSUES

Ref	Primary Turnaround Priority	Issue Trend	Proposed Issue Description	Issue Owner	Working Lead(s)	Current Score
1	We will have the strongest ever neighbourhood policing	NEW	***REFORM & LEGITIMACY*** Failure to deliver the scale of reform needed quickly, sustainably or sufficiently enough leads to further loss of trust and confidence of partners and communities ***OR*** Insufficient capacity and capability to deliver the Turnaround Plan and reform quickly enough ***Following RAB, further work is being done to determine appropriate description and controls***	Deputy Commissioner	T/Chief of Strategy & Transformation	HIGH
2	We will raise standards and show communities we care and respect	↔	***STANDARDS*** Trust and confidence in the policing of London is undermined by poor professional standards and culture in the Met	AC Professionalism	Chief of Communication & Engagement	VERY HIGH
3	We will raise standards and show communities we care and respect	NEW	***ENGAGE STATUS*** Failure to understand and address the root causes of systemic failures that led to the Engage status and deliver sustainable, assurable change	T/Chief of Strategy & Transformation	Director of Portfolio Delivery	HIGH
4	We will invest in our people by modernising our learning offer, including developing a cohort of leaders	↔	***PEOPLE*** Inability to attract, recruit and retain people to ensure we have a sufficient, suitable and diverse workforce	Chief People and Resources Officer	HR Director	HIGH
5	We will innovate how we work, make the most efficient use of resources and reinvest where it matters most	NEW	***MONEY*** Inability to secure sufficient additional funding to deliver the Turnaround Plan (including the Efficiency Programme) and deliver the performance outcomes required for the organisation	Chief People and Resources Officer	Director of Finance	VERY HIGH

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

Appendix A – High level summary Corporate Risk & Issue Register - March 2023

Non-restricted slide

SHORT-TERM RISKS

Ref	Primary Turnaround Priority	Risk Trend	Proposed Risk Description	Risk Owner	Working Lead(s)	Current Score
6	We will provide a compassionate and effective service to victims and other members of the public	↑	***CRIMINAL JUSTICE*** Failure to prepare for changes to the Criminal Justice System leading to sub-optimal performance and poor outcomes for victims	AC Operations & Performance	Cmdr Criminal Justice	**H v H**
7	We will be relentlessly data driven and evidence-based in delivery	↔	***IMPLEMENTION OF CONNECT & COMMAND & CONTROL*** Failure to successfully deliver CONNECT and Command & Control and harness their benefits significantly undermining operational delivery	T/Chief of Strategy & Transformation	DAC Major Projects	**M v M**
8	We will set the frontline up to succeed and build a strong foundation to stabilise and underpin our delivery	↔	***CAPABILITY & PREPAREDNESS*** Failure to ensure our workforce is appropriately skilled so that they are fully confident and able to perform effectively in meeting the demands they face	Chief People and Resources Officer	Director Learning	**VH v H**
9	We will invest in our people by modernising our learning offer, including developing a cohort of leaders	↔	***PEOPLE (Competency / Capability gap)*** The level of inexperience across ranks of the Met alongside stretched or the lack of supervision leads to service failures	AC Frontline Policing	Cmdr Frontline Policing HR Director	**VH v M**
10	*We will be relentlessly data driven and evidence-based in delivery*		***TECHNOLOGY*** *The Technology operating model is insufficiently flexible to deliver Met needs* ***Following RAB, further work is being done to determine if this risk is required or if it will be subsumed into Issue #1***	*T/Chief Digital, Data and Technology Officer*	*Director of Data*	
11	We will have the strongest ever neighbourhood policing	↔	***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	Chief of Communication & Engagement	DAC Frontline Policing Cmdr CPIE	**M v M**
12	We will take a proactive approach to reducing crime	↔	***CRIME PREVENTION & PROACTIVITY*** Insufficient and ineffective crime prevention and proactivity fails to prevent victimisation and undermines community trust and confidence in policing	AC Professionalism	DAC Frontline Policing Cmdr CPIE	**M v M**

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

LONG-TERM RISKS

Ref	Primary Turnaround Priority	Risk Trend	Proposed Risk Description	Risk Owner	Working Lead(s)	Current Score
13	We will be relentlessly data driven and evidence-based in delivery	↔	***CYBER*** Lack of preparedness to deal with a sophisticated attack could lead to a compromise in confidentiality, integrity, accessibility of our IT systems and the data therein	T/Chief Digital, Data and Technology Officer	Director of Business Engagement and Technology	**L v H**

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

Reference Document - Risk Appetite – rating criteria

Appetite	Approach	Tolerance for uncertainty	Choice	Compromise
	Overall risk taking approach	Willingness to accept uncertain outcomes or some quarter to quarter change	When faced with multiple options, willingness to select option that puts objectives at risk	Willingness to compromise against achievement of other measures
Brave	Will take justified risks	Fully anticipate and accept uncertainty	Will choose the option with the greatest positive outcome; accept possibility of failure	Willing
Open	Will take strongly justified risks	Accept some uncertainty	Will choose to put the objective at risk but will manage the impact(s)	Willing under right conditions
Moderate	Preference for safe delivery	Limited	Will accept if limited and heavily outweighed by benefits	Willing only if it's the best option for going forward
Cautious	Extremely conservative	Low	Will accept only if essential and there is limited possibility/extent of failure	With extreme reluctance
Averse	Avoidance of risk	Extremely low	Will always select the lowest risk option	Never

(Adapted from: Quail R "Defining your taste for risk" Corporate Risk Canada 2012)

Reference Document – Risk rating criteria

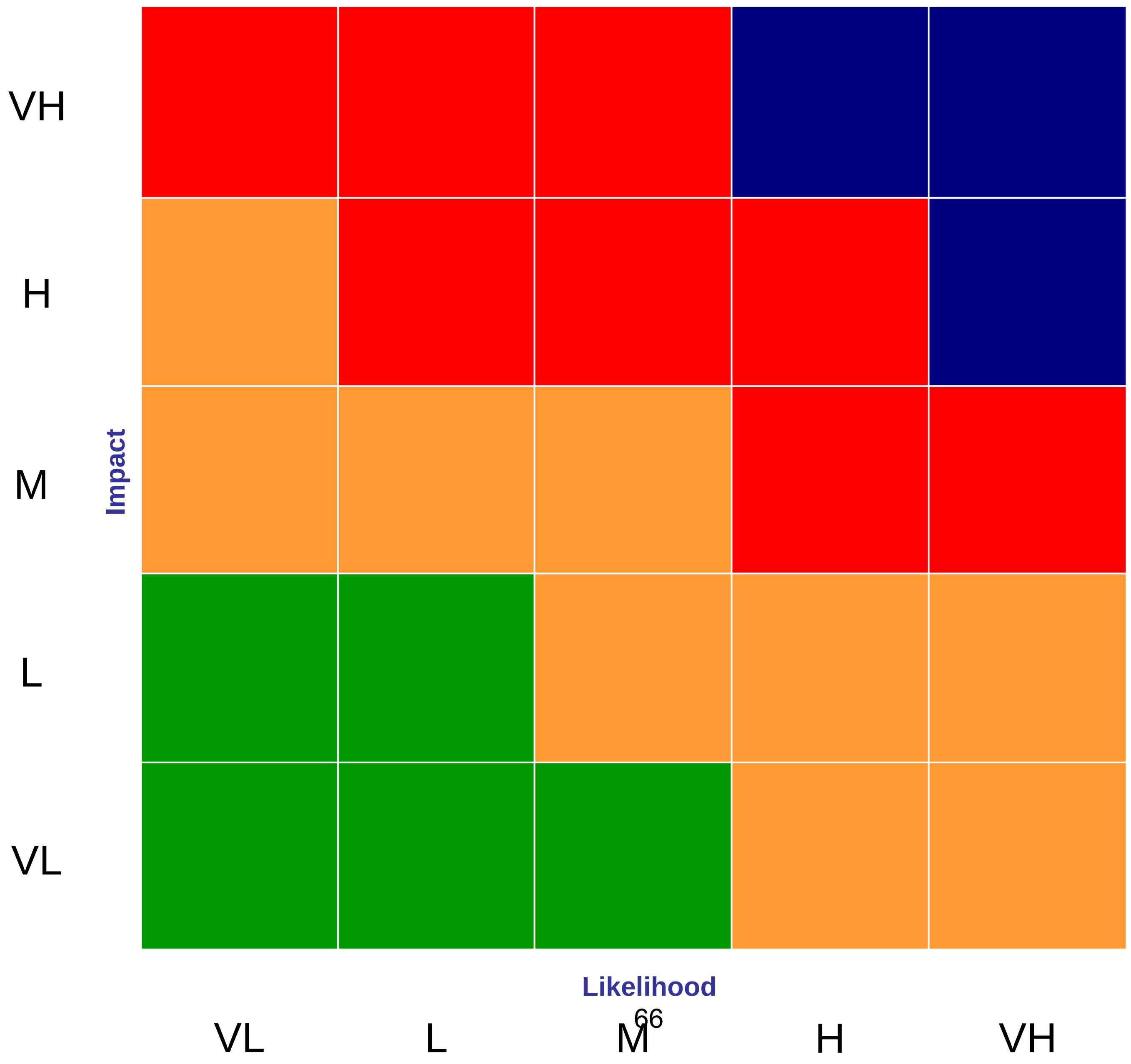
Criteria for Risk Likelihood

Likelihood	Descriptor
Very Low	Rare, no realistic possibility of occurrence
Low	Unlikely but could occur
Medium	Possible
High	Likely to occur
Very High	Certain/already occurring

Criteria for Risk Impact

Impact	Impact Categories			
	Delivery of Corporate Objectives	**Confidence & Satisfaction**	**Financial**	**Community & Staff Safety**
Very Low	No discernible impact on the delivery of corporate objectives	No discernible impact on service delivery/ reputation	Negligible budgetary / efficiency impacts	No injury
Low	Minor effects on the delivery of corporate objectives	Impact on service delivery / reputation of little / no concern to stakeholders	Minimal budgetary / efficiency impact	First aid injury
Medium	Noticeable effects on the delivery of corporate objectives	Impact on service delivery / reputation relevant & noticeable by stakeholders	Limited budgetary / efficiency impact	Lost time injury (over 3 days)
High	Delivery of several objectives compromised	Major impact on service delivery / reputation	Major budgetary / efficiency impact	Major injury
Very High	Failure to deliver corporate objectives	Catastrophic impact on service delivery / reputation	Beyond budget capability / Unworkable	Death

Reference Document – Risk Matrix



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MPS-MOPAC JOINT AUDIT PANEL
27 March 2023

MOPAC Governance Improvement Plan

Report by: The Director of Strategy & MPS Oversight

Report Summary

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 review on MOPACs Governance Improvement Plan, showing completed actions and progress updates on those still live up until end of Feb23. The full Governance Improvement Plan is included at Appendix A.

Recommendations

The Audit Panel is recommended to: 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 MOPAC's 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.

Overview of GIP

1.3 Between the period 1 January and 28 February, 6 actions have been marked as complete and 17 actions reported as on track with target dates that fall in 2022/23 or beyond. There are currently 2 recommendations where the initial delivery timescale has been revised, 6 on hold and 14 complete.

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

Key Achievements and areas for improvement

1.5 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 January there has been 6 new completed actions.

Completed actions: -

1.6 **Complaints review system (C6)** – MOPAC has implemented a new process to provide assurance that the MPS takes appropriate action following a complaint review and be able to monitor the implementation of agreed actions.

1.7 **Commissioned services performance (C7**) - MOPAC has developed an improved approach to performance reporting for MOPAC's commissioned services, to support increased transparency and enable better communication of the impact of spend.

1.8 **Complaints Review Team review (D7)** – MOPAC has completed a process review of the CRT which includes new service standards, review of resources to align with caseload, overtime payments and increase headcount.

1.9 **Oversight of external reports (F1)** – This work has been superseded by the MPS who has compiled a consolidated tracker of all recommendations for the MPS. Work is underway to use the information to prioritise where our oversight is best placed. MOPAC is dedicating resource to this work going forward, which will allow us to capture progress updates against each oversight area, and flag areas of risk. Staff expected in post Apr/May23.

1.10 **Risk Management approach (G2 & G4)** - The project risk management approach has been implemented and is reported through updates at the Portfolio Board. A review of corporate risk has been done and corporate risk register has been approved. A risk management framework/policy will sit alongside the register and communicated to staff.

Actions where timescales have slipped

1.11 **VRU Dashboard (F2)** - Delays in procurement & implementation of our Grant Management System (GMS), and software complications re Digital transfer have pushed the publication back.

1.12 **Vetting of Shared Service staff (G7)** – Since the initial action was raised, MOPAC is transitioning to a new shared service provider for all IT services. Work is in progress to ensure that all new Shared Service staff are vetted, and this is maintained. The transition programme has pushed this timeframe.

2 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.

3 Financial Implications

There are no direct financial implications from this report.

4 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.

5 Risk Implications

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

6 Contact Details

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7 Appendices and Background Papers

Appendix A – MOPAC Governance Improvement Plan – Official Sensitive

MPS-MOPAC JOINT AUDIT PANEL
27 MARCH 2023

MPS Governance Improvement Plan Update

Report by: Interim Chief of Strategy & Transformation

Report Summary

Purpose
To update on the Met's Governance Improvement Plans (GIPs) arising from the 2021/22 Annual Governance Statement (AGS). This is the third update, the previous being tabled at the October 2022 and January 2023 Audit Panels.

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 GIP.

Recommendations

The Audit Panel should:
- Note the progress made in the recent quarter.

1. Supporting Information

1.1. We have continued to present the GIP as one plan to ensure greater consistency with MOPAC's approach.

2. Key updates in the past quarter:

a. Standards and Professionalism

- Baroness Casey's full report was published in March 2023, with implications for the Turnaround Plan. There are also issues for long-term management that we have begun to address but will need time to consider. This will include a stronger approach to managing assurance.

- We have now completed the Rebuilding Trust action plan and the DPS Uplift has continued (all vacancies expected to be filled by May 2023).
- Since launching in November 2022, the internal misconduct reporting line, managed through Crimestoppers, has seen an increase of 130% intelligence reports for the period of December to January 2023. Lawful Business Monitoring commenced in January 2023, and work continues to link capability with new technology being rolled out across the MPS.
- The Command Assessment of Standards report was presented to Trust, Inclusion and Diversity Board in January 2023. Further progress on recommendations will be reported at the next meeting.

b. Learning and Development

- We have moved corporate responsibility for L&D from Professionalism to People & Resources, as part of the Executive redesign.
- There continue to be significant challenges in filling technical and specialist roles; however, a new Director of Delivery Services and C/Supt Head of Recruit Training has been appointed to address this.
- External specialist support is being procured to support the new Learning Modernisation Programme as part of the Turnaround Plan.
- The PIP2 Development Programme was launched on 6 February 2023 and proposals for a new First Line Leaders Programme were presented to People & Learning Board in March. We continue to develop a similar programme for mid-managers.

c. Organisational Learning

- We are moving the corporate Organisational Learning and Research Faculty team to Met Operations and Performance as part of the executive redesign, with additional analytical capability.
- We continue to develop organisational learning hubs across the Met; progress is subject to resource constraints, as there are insufficient corporate implementation posts, and no formal Budgeted Workforce Target on BCU to provide hub leads.
- We have completed the design for an Organisational Learning app, with Level 1 functions determined and Level 2 functional areas mapped. User group testing took place during March 2023.
- We continue to develop high-harm and high-risk learning, with the capture of Level 3 external recommendations underway with Strategy and Transformation. We are continuing work on the culture of learning and behaviours development. The programme is still scheduled to be in place by Q4 2023/24.

d. Digital and Data

- CONNECT is now largely technically stable, but planning for Drop 2 will require a change to training approach and is likely to be delayed to the Autumn to account for technical and training changes .There are some

challenges in the technical delivery of Command and Control by the outsourced provider, which are subject to a remediation plan.
- The External Business Intelligence Tool concerning child abuse is now 'live', updated monthly, and available to all relevant partners.
- Under the Turnaround Plan we are taking forward delivery of the integrated Digital and Data Blueprint and Roadmap. The same Turnaround priority will address remaining ICO recommendations, which will be scrutinised by a Task and Finish Group.
- PSNI led an external review of the Met's Data Governance capability and the Open Data strategy is on target to be published in April 2023.
- We have enhanced our Data Science team with 4 Grayce interns and recruited a new Deputy Director of Analytics, Science and Engineering.

e. <u>Mapping Resources and Demand</u>

- Through Project Peel, we have created a new Incident and Response dashboard to review data from CAD/CHS and CARMS/PSOP and to identify demand and supply.
- We continue work on the Met's next Force Management Statement, due to be published in July. This will ensure we allocate resources in a smart way, addressing the changing demand.

f. <u>Assurance Controls (Level 1 and 2)</u>

- CPIC (Continuous Policing Improvement Command) has now become the Frontline Policing Delivery Unit, and will lead best practice, policy and improvement. Newly-created Professional Lead Commanders (formerly Heads of Profession) will be able to commission Level 2 assurance activity from the unit.
- We have formed a combined Continuous Improvement and Organisational Learning board, and developed a strategy to embed Continuous Improvement within each known Level 1 and level 2 activities, starting with Public Protection.
- Within the Policy area, support for CONNECT remains a priority. We are also continuing work on Stop and Search and Investigative Interviewing policies. We are building an interactive policy hub on SharePoint to replace information currently on the intranet.
- We have put work on a general investigation policy on hold pending the final College of Policing national policy.

2. Equality and Diversity Impact

The GIP contains actions that aim to strengthen our community engagement 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 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 GIP 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, Interim Chief of Strategy & Transformation

7. **Appendix 1**: Met Governance Improvement Plans 2022/23

MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL Monday 27 March 2023

Director of Audit, Risk and Assurance Progress 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 January, 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 has been aligned to key areas in support of the significant Turnaround Board Transformation programme as appropriate.
- Seven reviews have been concluded since the Panel in January, including two advisory pieces. Five reviews were rated adequate and one limited. A further eight are at draft report, nine at fieldwork and six advisory reviews underway.
- Key reviews concluded include; Firearms Licensing Framework, ICT Grey Estate, BCU Framework Supporting Operational Delivery, SO18 Aviation Command and the follow up of Commercial Lifecycle Framework. Advisory reviews include Recruitment and Attrition and Lawful Business Monitoring.
- Audits at draft report stage include; Grievance Management Framework, Governance of MPS Voluntary Official Organisations, Taser Use and Control, Use of ANPR Systems and the MOPAC ICV Scheme/Programme.
- Key audits underway include; MPS Cloud Security and Management, Youth Offending Teams, MPS Corporate Risk Management and MOPAC follow up reviews of Oversight of Police Complaints and Counter Fraud Arrangements. Advisory pieces include the Framework Supporting THRIVE+ and Learning and Development Framework.
- 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 Key risk reviews completed include; Firearms Licensing Framework, Aviation Command, ICT Grey Estate and the major review of the BCU Framework supporting Operational Delivery. Draft reports include; Grievance Management Framework, ANPR, Taser Use and Control and the MOPAC ICV Scheme.

1.3 The IT Grey Estate has been rated limited with governance arrangements in the early stages of development. In particular, the strategy governing the Grey IT Estate and corporate IT procurement strategy are to be defined and a risk assessment concluded. Discussions with senior management on the report and the way forward are underway.

1.4 The BCU review of enablers supporting effective delivery including; governance and risk management, capability and capacity, partnership and performance management, identified common themes and root causes some of which had been highlighted corporately. Findings included a lack of experienced officers, insufficient investigative capability, inadequate training and supervision, excess demand and an inability to measure productivity. Recommendations are to be aligned with and considered as part of the Turnaround action plans.

1.5 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 and the Director recently met with the Deputy Commissioner to discuss the underlying strategic issues arising from DARA review activity, which are to be addressed by the Board.

1.6 Key pieces of advisory included a review of Recruitment and Attrition undertaken in response to increasing attrition levels within the Met. DARA worked in collaboration with a team of Met officers, using survey data and interviews, to help identify and make recommendations to address the underlying causes. The review looked at governance and leadership, initial recruitment arrangements, training pathway delivery and putting learning into practice. Summarised initial findings and key recommendations have been reported to Senior Management.

1.7 At the request of the Deputy Commissioner, DARA have also advised on a review of MPS Governance conducted by external consultants, providing insight from audit review activity and helping to shape the recommended action, which will help identify a number of issues previously raised by DARA.

1.8 The National Fraud Initiative (NFI) for the 2022/23 exercise has reported a total of 6,752 matches, comparable to the 2020/21 total of 6,248. Work has concentrated initially upon the 116 Payroll matches (including any Payroll matches to Creditors). All 1,643 pension matches have been referred to SSCL/Equiniti. The review of 4,996 Creditors matches will commence shortly.

Planned Activity for the Next Quarter

1.9 Reviews at draft report stage will be finalised and reports prepared for those underway and work commenced on those reviews planned (**Appendix** refers).

1.10 Consultation on the Plan for next year's work programme will also commence engaging with key stakeholders within MOPAC and the MPS.

DARA Performance

1.11 Work is underway on 86% in line with the revised plan (48% at report stage and 38% in progress), which includes additional advisory review activity, and time spent broadly as planned. The reviews of the Met Performance Framework and Internal Communications have been postponed due to MPS internal review activity.

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

Report author: Julie Norgrove, Director of Audit, Risk and Assurance
Email: Julie.Norgrove@mopac.london.gov.uk

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
27 March 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 provides the regular update Audit Progress Report and Sector Update, and includes an update on the 2021/22 value for money work and the audit of the financial statements for 2022/23. Also attached is a recent Grant Thornton report into the state of Local Audit entitled "About Time".

Key Considerations for the Panel
To note the Audit Progress Report and the Grant Thornton report into the state of Local Audit entitled "About Time"

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 Audit Progress Report
b. Note the Grant Thornton report into the state of Local Audit entitled "About Time"

1. Supporting Information

Audit Progress and Update Report - Appendix One

1.1. The Value for Money work is nearing completion. Once complete the 2021/22 Annual Report will be published and presented to the Audit Panel.

1.2. Planning for the audit of the financial statement 2022/23 is due to start in April 2023, with work due to start in late June 2023. A detailed timetable will be provided in May 2023.The Auditors are aiming to give an opinion on the 2022/23 financial statements by 30 November 2023.

1.3. The report includes an update on the audit fees for the 2021/22 audit. This is currently estimated to be £140,477 for the MPS and £178,552 for MOPAC. The cost of the 2021/22 value for money work is yet to be confirmed.

Grant Thornton Report – About Time – Appendix Two

1.4. The recent Grant Thornton report "About Time" reports on the state of Local Audit, exploring reasons for the delayed publication of audited financial statements. It includes a useful checklist for Management and Audit Committees to consider.

2. Equality and Diversity Impact

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

3. Financial Implications

3.1. The proposed audit fee for 2021/22 is £319,029. Of which £178,522 relates to MOPAC and £140,477 relates to the MPS. This does not include the cost of the value for money work which is yet to be confirmed. Costs will be met from existing resources within MOPAC and the MPS.

4. Legal Implications

4.1. There are no direct legal implications arising from the report.

5. Risk Implications

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

6. Contact Details

Annabel Cowell - Deputy Chief Finance Officer MOPAC

7. Appendices and Background Papers

Appendix 1 – Audit Progress Report and Sector Updates
Appendix 2 – Grant Thornton 'About Time' Report

Grant Thornton

Mayor's Office for Policing and Crime
The Commissioner of Police of the Metropolis
Audit Progress Report and Sector Update

Year ending 31 March 2023

March 2023

Contents

Key Grant Thornton team members

Mark Stocks

Key Audit Partner/ Relationship Partner

T 0121 232 5437
E Mark.C.Stocks@uk.gt.com

Alex J Walling

Director

T 0117 305 7804
E Alex.J.Walling@uk.gt.com

Mark will have ultimate responsibility for the delivery of your audit service. Specifics of the role include:

- leading our relationship with the Mayor's Office for Policing and the Commissioner of Police of the Metropolis;
- ensuring you have access to Grant Thornton's full service offering;
- reviewing the audit file, giving particular focus to any key areas of risk or critical judgements exercised during the audits;
- reviewing and signing off all audit reports;
- attending Joint Audit Panel to discuss key issues arising from our work and any recommendations;
- acting as a 'sounding board' on key decisions relevant to our responsibilities as your auditors; and
- sharing good practice identified at other organisations.

Working alongside Mark, Alex will have responsibility for the delivery of your audit service. Specifics of the role include:

- having a relationship with the Mayor's Office for Policing and the Commissioner of Police of the Metropolis;
- being a key contact for the Chief Finance Officers and the Joint, Audit Panel meeting frequently with key members of management;
- taking responsibility for delivering high quality audits which meet professional standards;
- agreeing with you the annual joint audit plan, and a timetable for delivering the work;
- reviewing the audit file, ensuring our high quality standards have been met;
- reviewing all audit reports; and
- attending Joint Audit Panel to discuss key issues arising from our work and any recommendations.

Key Grant Thornton team members

Parris Williams

Senior Manager

T 020 7728 2542
E Parris.Williams@uk.gt.com

Parris is responsible for planning, managing and leading the audit and providing feedback to you throughout the audit process. Parris is responsible for audit quality, project management of the audit, ensuring the audit requirements are fully complied with. He will respond to ad-hoc queries whenever raised and meet regularly with the Chief Finance Officers and members of the finance team. Specifics of the role include:

- ensuring responsibility for delivering high quality audits which meet professional standards;
- drafting audit reports;
- ensure key matters which arise during the audits which were not identified at the planning stage are properly assessed and dealt with;
- review the work of in-charge auditor and the wider fieldwork team;
- manage, motivate and coach team members; and
- attending and contributing to senior audit liaison meetings, sharing good practice identified at other organisations.

Jasmine Kemp

Audit In-Charge

T 020 7865 2682
E Jasmine.R.Kemp@uk.gt.com

Jasmine will work as part of the team, leading the on site audit team, providing a service which meets or exceeds client expectations and supports the engagement lead / manager team. Specifics of the role include:

- taking an active part in the audit planning discussions to identify audit risks and appropriate audit strategy;
- communicating any issues relating to the audit with the engagement manager or engagement lead;
- overseeing all aspects of audit fieldwork and completion;
- addressing and discussing queries in respect of technical and audit issues identified during the course of the audit;
- maintaining good working relationships with client staff; and
- delegating work to other members of the audit team, ensuring they understand their responsibilities and have received appropriate on-the-job training / coaching.

Introduction & headlines

This paper provides the Joint Audit Panel with a report on progress in delivering our responsibilities as your external auditors

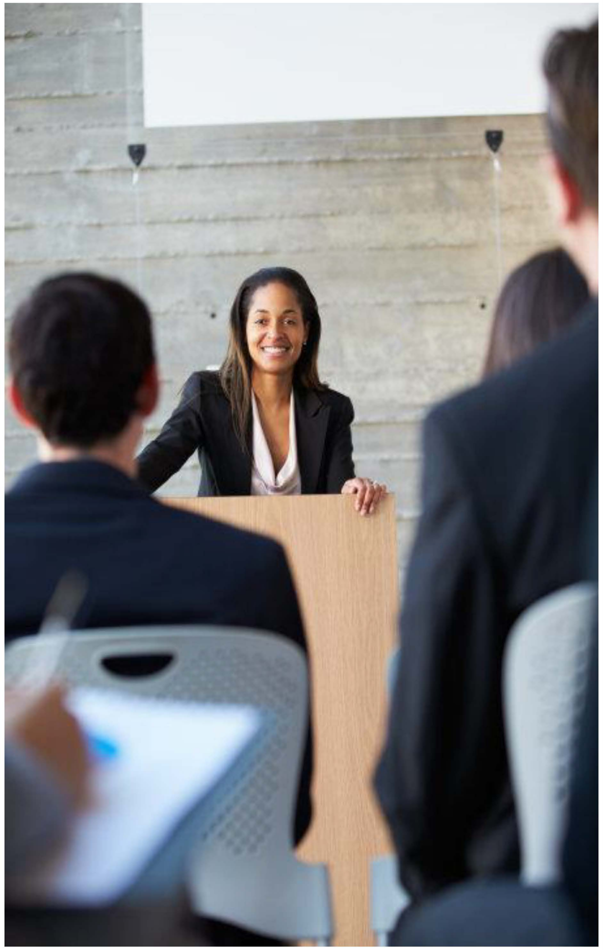
The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Joint Audit Panel can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications.

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

We continue to bring specialists to our update conversations where appropriate to share any learning from our position as a leading audit supplier to the police sector.

You will also have access to our annual Chief Accountant Workshops and any other networking opportunities we create for the various stakeholders.



The auditor's statutory responsibilities

Opinion on the audited body's financial statements

Our work enables us to give an opinion as to whether the financial statements:

- give a true and fair view of the financial position of the audited body and its expenditure and income; and
- have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards and other directions.

Our planning will document our understanding of your key risks, your control environment and inform our testing strategy. This will continue until we begin our final accounts testing.

Since we last reported we have:

- continued to have regular discussions with management discussing issues identified in previous audits, and emerging themes which are expected to impact on the current audits;
- reviewed meeting papers and the latest financial and operational performance reports ensuring we understand your current challenges;
- considered any reports from regulators regarding your operational effectiveness.

We expect to issue our joint audit plan summarising our approach to key risks on the audit in May 2023. We will report any key findings from the planning and interim audit visit in our progress reports to Joint Audit Panel.

We will deliver our final accounts audits in July to September and summarise our work in the Auditor's Annual Report.

Work on value-for-money arrangements

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Mayor's Office for Policing and Crime and the Commissioner of Police of the Metropolis "has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources."

Our initial risk assessment will build on our understanding of your arrangements, taking into account any findings from previous work on value for money. We will report our risk assessment findings in our Audit Plan which we plan to issue in May 2023. This will then be reported to the Joint Audit Committee at the next available meeting. We will report against the following criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

We will keep our risk assessment under continuous review. Where appropriate, we will update our risk assessment to reflect emerging risks or findings and report this to you. Our final commentary in the Auditor's Annual Report will include:

- a summary of our findings on any risks identified during our work;
- our judgements on the adequacy of the Police and Crime Commissioner and Chief Constable's arrangements for each of the three reporting criteria, as set out above;
- any recommendations made to management as a result of our work; and
- a follow up of progress against any recommendations raised in previous audits.

The auditor's statutory responsibilities

Other responsibilities

We are required to give an opinion on whether:

- other information published together with the financial statements is consistent with the financial statements.

We are also required to:

- consider whether the Annual Governance Statement complies with relevant disclosure requirements and whether it is consistent with the information we are aware of from our audit; and
- examine and report on the consistency of 'Whole of Government Accounts' consolidation schedules with the financial statements.

We will complete this work as part of our financial statements visit.

Other 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.

Our work to date has not required us to report any such matters to you.

Added value

Grant Thornton has a large Public Sector practice and is a key supplier to the market. As a valued audit client, you will receive:

- the opportunity to access support from experienced technical colleagues. This means you will be at the forefront of accounting developments. Through this relationship we also ensure that communication works both ways and feed issues back from our clients.;
- insight from our regular meetings within the sector where we discuss emerging developments. We will also raise any areas of concern that you have over policy, procedure, or regulation with your regulators; and
- technical and sector updates for the Joint Audit Panel.

Progress at March 2023

Financial Statements Audit 2021-22

We have completed the financial statements audit of MOPAC and the MPS and issued unmodified opinions on the 18 November 2022 in line with the extended statutory deadline of 30 November 2022. Ahead of issuing our opinions, our Audit Findings Report was shared and discussed with the Deputy Mayor for Policing and Crime and the Commissioner.

Our Audit Findings Report was also shared and discussed with the Joint Audit Panel on 16 January 2023.

Financial Statements Audit 2022-23

We plan to carry out our initial planning for the 2022-23 audit in April 2023. We expect to begin our work on your draft financial statements in late June.

Our initial planning work includes:

- updated our review of the Mayor's Office for Policing and Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM) control environment;
- updating our understanding of financial systems;
- reviewing Internal Audit reports on core financial systems;
- understanding how MOPAC and the CPM make material estimates for the financial statements; and
- early work on emerging accounting issues.

In May we plan to issue a detailed audit plan, setting out our proposed approach to the audit of the 2021/22 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 30 November 2023.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements.

On 13 February 2023, we wrote to the Deputy Mayor for Policing and Crime and to the Commissioner to inform them of a delay to our 2021-22 Value for Money work. These letters explained that the Auditor's Annual Report would not be published within three months after the date of the opinion on the financial statements. The reason for the delay was to allow sufficient time to complete all relevant internal quality management procedures and to enable management of both MOPAC and the MPS to respond to the report.

Both letters also explained that we expect to publish the report by 31 March 2023. Once the Annual Auditor's Report has been published, we will present this to the Joint Audit Committee at the next meeting.

Progress at March (cont.)

Events

We provide a range of workshops, along with network events for members and publications to support MOPAC and the MPS. Your officers are invited to our Accounts Workshop in February 2023, where we will highlight financial reporting requirements for the 2022/23 accounts and give insight into elements of the audit approach.

Further details of the publications that may be of interest to MOPAC, MPS and members of the Joint Audit Panel are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2021/22 is the fourth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government and Police sectors in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of public sector financial transactions and financial reporting. This combined with the FRC requirement that all Local Government and Police audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

Each year we have reviewed the impact of these changes on both the cost and timing of audits. We have always discussed this with your Chief Finance Officers including any proposed variations to the Scale Fee set by PSAA Limited. We have communicated any fee variations with the Joint Audit Panel, Deputy Mayor for Policing and Crime and the Commissioner through our Audit Plans, Auditing Findings Reports and our regular progress updates.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

2021/22 deliverables

2021/22 Deliverables	Planned Date	Status
Accounts Joint Audit Plan We are required to issue a detailed accounts joint audit plan to the Joint Audit Panel setting out our proposed approach in order to give our opinions on the 2021-22 financial statements.	July 2022	Complete
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	July 2023	Complete
Joint Audit Findings (ISA260) Report The Joint Audit Findings Report will be reported to the Deputy Mayor for Policing and Crime and the Commissioner in November 2022. The Joint Audit Findings Report will then be reported at the next Joint Audit Panel (January 2023)	November 2022 and January 2023	Complete
Auditors Reports These are the opinions on your financial statements and annual governance statements.	November 2022	Complete
Auditor's Annual Report The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). A final copy of the AAR will be taken to the next Joint Audit Panel following publication.	February 2023	In progress. As communicated to the Deputy Mayor for Policing and Crime and the Commissioner, we now expect to publish by 31 March 2023.

2022/23 deliverables

2022/23 Deliverables	Planned Date	Status
Accounts Joint Audit Plan We are required to issue a detailed accounts joint audit plan to the Joint Audit Panel setting out our proposed approach in order to give our opinions on the 2022-23 financial statements. We plan to communicate this to the Deputy Mayor for Policing and Crime and the Commissioner in May 2023. This will then be shared with the Joint Audit Panel at the next meeting.	May 2023	Not due yet
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	July 2023	Not due yet
Joint Audit Findings (ISA260) Report The Joint Audit Findings Report will be reported to the Deputy Mayor for Policing and Crime and the Commissioner in November 2023. The Joint Audit Findings Report will then be reported at the next Joint Audit Panel.	November 2023	Not due yet
Auditors Reports These are the opinions on your financial statements and annual governance statements.	November 2023	Not due yet
Auditor's Annual Report The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). A final copy of the AAR will be taken to the next Joint Audit Panel following publication.	February 2024	Not due yet

Audit fees 2021/22

Background

In 2017, PSAA awarded a contract of audit for MOPAC and the MPS to begin with effect from 2018/19. The revised scale fee agreed by PSAA per its website is £92,400 for the MPS and £101,508 for MOPAC. Since the initial contract, there have been a number of developments, particularly in relation to the revised Code and ISAs which were relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed in our agreed Audit Plan in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting.

The pandemic has led to considerable changes to how we all work and how we have carried out our audits over the last two years. Many audited bodies are exploring new ways of working to support its officers, through use of remote and hybrid working environments. We see the positive benefits this can bring to entities, and their workforce, both in providing more flexibility and reducing its environmental impact.

Whilst there are many efficiencies to remote working, having the ability to work together with officers face to face in conducting our audit work provides many advantages to the timely progression of the audit; both in minimising inefficiencies in gathering audit evidence, and in discussing key issues with officers and resolving and concluding outstanding queries.

2021-22 fee variation for the financial statements audit

As part of our 2021-22 planning, we agreed a fee variation with management of both MOPAC and the MPS. The proposed fees were set out in our 2021-22 Audit Plan. The proposed fee for 2021-22 per the Audit Plan for MOPAC was £169,052 and £140,477 for the MPS.

Since the completion of the 2021-22 financial statements audit, we have agreed with management an additional fee variation of £9,500 relating to our audit of MOPAC. The fee variation is as a result of two factors.

- Slow response times from your finance team to some queries which lead to delays. Slow response times were a result of illness in your finance team.
- The second was the level of reportable issues in our Audit Findings Report, particularly around PPE. Whilst we expect to find things when auditing an organisation of your size and this is built into the scale fee, the volume of reportable issues meant that additional time was required at the senior levels of the engagement team to clear them.

It is important to let you know that as a firm we are absorbing significantly more cost than the £9,500 we are passing on to you. Whilst the audit was a success as your accounts were published with a clean opinion by the statutory deadlines, it was not without its challenges on both sides. The fee variation is limited to where we have spent more time on an area than is covered by the base fee and where it is right to pass that on to you. The £9,500 represents 3% on the total audit fee agreed in the Audit Plan. A detailed analysis of our audit fee for 2021-22 is set out overleaf.

Audit fees – detailed analysis 2021/22

	MPS	MOPAC
Scale fee published by PSAA	£92,400	£101,508
Ongoing increases to scale fee first identified in 2019/20 and 2020/21. These were all agreed in the 2021-22 Audit Plan.		
VFM	£19,159	£26,924
Raising the bar/regulatory factors	£16,666	£23,407
Increased audit requirements of revised ISA 540	£7,351	£10,328
Increased audit requirements of revised ISAs 240 and 700	£4,901	£6,885
Total audit fees agreed in the 2021-22 Audit Plan	**£140,777**	**£169,052**
New fee variation for 2021-22 (one-off)		
Additional work caused by delays in obtaining responses to queries and as a result of identifying more than expected reportable issues for the Audit Findings Report.	-	£9,500
*Fee variation in respect of additional work on Value for Money**	*TBC*	*TBC*
Total audit fees (excluding VAT)	**£140,477**	**£178,552**

All of our fee variations, including those agreed with you in our Audit Plan are still subject to PSAA approval. In February 2023 we submitted our fee variation form to PSAA and we are currently awaiting a response.

*Following completion of our Value for Money work we will discuss any proposed fee variation with management.

Sector Update

Policing services are rapidly changing. Increased demand from the public and more complex crimes require a continuing drive to achieve greater efficiency in the delivery of police services. Public expectations of the service continue to rise in the wake of recent high-profile incidents, and there is an increased drive for greater collaboration between Forces and wider blue-light services.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider Police service and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from sector specialists**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and police sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Police

Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers
- an agreed approach to dealing with the backlog of local government audits
- Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Given the importance of this report, we have included it as a separate agenda item but see below for a link to the report as well.

Report: key challenges in local audit accounting | Grant Thornton

Home Office

Home Office

Extra 1,420 police join forces across England and Wales in 3 months

An extra 1,420 officers have joined police forces across England and Wales in the past 3 months, as the government continues its unprecedented drive to recruit 20,000 additional police officers by March 2023.

Figures released on 25 January show that more than 16,700 additional police officers have joined the police since April 2020 as part of the government's pledge to get more police officers on our streets.

These figures mean that the government has met 84% of that target and is well on the way to recruiting 20,000 new officers by March.

The figures released today also show the number of police officers from an ethnic minority background is at an all-time high, as the government's recruitment campaign works to change the face and culture of policing.

There are also now 51,107 female officers in our 43 police forces in England and Wales, which is also at its highest point.

The full article can be found here.

Home Office

Home Office

Review of police dismissals launched

A review to ensure that the police officer dismissal process is effective at removing those who are not fit to serve the public has been launched by the Home Office. The internal review will look at the effectiveness of the disciplinary system so the public can be confident it is fair but efficient at removing officers who fall far short of the high standards expected of them.

Baroness Casey's interim report into the culture and standards at the Metropolitan Police Service, published last year, raised concerns about the low number of police officers being dismissed and that those with multiple allegations of misconduct against them are still serving the public. She was also concerned that officers from ethnic minorities are disproportionately represented in the misconduct system.

As set out in the terms of reference published on GOV.UK Police officer dismissals review: terms of reference, Home Office officials will examine the consistency of decision making at misconduct hearings and disproportionality in dismissals, alongside reviewing the existing model of misconduct panels and the impact of legally qualified chairs (LQCs).

The review, which will be completed within approximately 4 months, will also ensure that forces are able to effectively use regulations that allow probationary officers who do not meet the required standard to be let go, and look at whether the current three-tier performance system is effective in being able to dismiss officers who fail to perform the duties expected of their rank and role.

The government has introduced significant reforms to the police complaints and discipline systems in recent years – from misconduct hearings in public and independent legally qualified chairs (LQCs) to the introduction of the barred list and the strengthening of powers for the Independent Office for Police Conduct (IOPC).

The full article can be found here.

Home Office

Home Office

Policing to receive up to £287 million funding boost next year

The police sector will receive a nominal funding boost of up to £287 million next year to help victims feel safe and deliver more visible policing.

The rise will take total funding for policing up to £17.2 billion and mean police and crime commissioners across the 43 police forces in England and Wales will receive a nominal increase of up to £523 million from government grants and precept income to focus on getting the basics right.

The government is giving police crime commissioners in England the ability to raise up to £349 million, through a council tax precept limit of £15.

This provisional settlement will provide £1.1 billion towards national policing priorities, including tackling the scourge of serious violence, county lines, exploitation, abuse, fraud and cyber crime.

Funding for counter-terrorism policing will continue to total over £1 billion, including continued funding for armed policing and the Counter Terrorism Operations Centre.

Funding will also be given to maintain the 20,000 additional police officers recruited as part of the government's unprecedented campaign to put more police on the streets.

The full article can be found here.

Home Office

Home Office

NPCC led review: operational productivity of policing

Total funding for policing in 2022 to 2023 is nearly £17 billion - the highest for over a decade. By April 2023 central government will have invested over £3.5 billion in supporting the recruitment of 20,000 additional police officers through the Police Uplift Programme, of which 13,790 have been recruited so far.

It is therefore crucial that national forces deliver the best possible value for the public from this investment. The Home Secretary has asked the National Police Chiefs' Council to lead a review of productivity in policing. This review intends to improve the understanding of effectiveness and productivity in policing, identifying the barriers and the most efficient operating models. The review will also look at the scope for using new technology or streamlining processes and removing bureaucracy to drive efficiency and better outcomes.

The review will be led by Sir Stephen House, supported by an advisory board including His Majesty's Chief Inspector of Constabulary and Fire & Rescue Services (HMICFRS), the chief executive of the College of Policing and Association of Police and Crime Commissioners (APCC). Terms of reference will be published in due course, following agreement by the advisory board and Home Office. It is expected to report within 12 months and with interim findings in spring 2023

The full article can be found here.

HMICFRS

Police force reports on the effectiveness of vetting and counter-corruption arrangements

HMICFRS have published reports on the effectiveness of vetting arrangements in 12 police forces. Some of these also include findings on IT monitoring and counter-corruption.

The reports can be found here.

Association of Police and Crime Commissioners

PCCs gain new responsibilities in bid to tackle serious violence

Police and Crime Commissioners (PCCs) and Deputy Mayors have gained new responsibilities from 31 January 2023, in a bid to tackle and prevent serious violence in communities.

The Serious Violence Duty is a new legal requirement which will see organisations working together to prevent and tackle serious violence, with PCCs and Deputy Mayors as the local conveners.

The Duty was introduced by the Government through the Police, Crime, Sentencing and Courts (PCSC) Act 2022 and places a duty on specific organisations such as the police, fire service, justice partners, health and local authorities to collaborate to prevent and tackle serious violence in their local area.

It intends to create the right conditions for authorities to collaborate and communicate regularly, using existing partnerships where possible and to share information and take effective coordinated action in local areas. Under the Duty, all statutory partners must work together to develop a strategic needs assessment of the unique causes of violence in their area and then publish a strategy on how they will tackle it.

Police and Crime Commissioners and Deputy Mayors play an important role in this and will take up responsibilities as the lead convener for local partners. Across England and Wales they will be responsible for monitoring the exercise of functions under the Duty and holding partners to account for their compliance and delivery.

See the full article here.

Association of Police and Crime Commissioners

Audit Market Developments

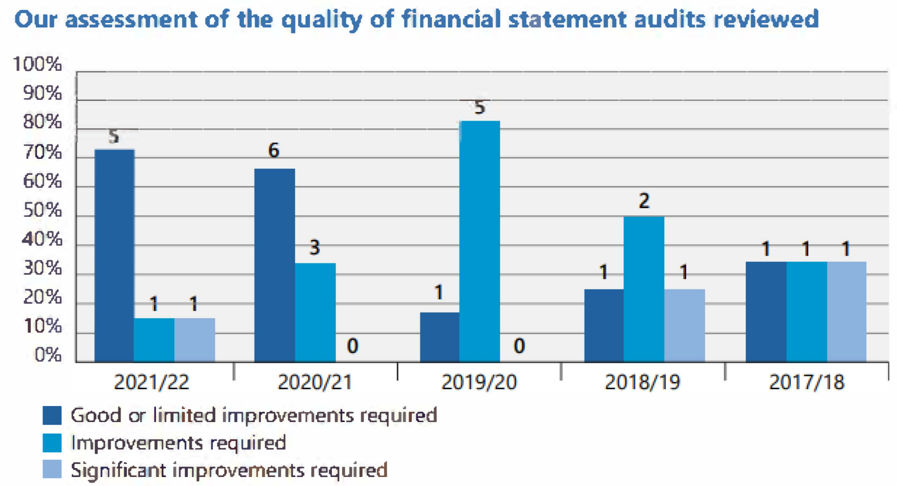
Financial Reporting Council Report On The Quality Of Local Audit

In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:



The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

The ICAEW identified one of our files as requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found here.

Financial Reporting Council

Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found here

Grant Thornton – Nearly 60 councils at risk of 'running out of money' next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts .

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will "continue to unwind through the long tail of Covid-19" with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: "Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

"Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils' financial sustainability in the face of economic instability.

"Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up."

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector's ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: "With no spending review and no fair funding review, CIPFA shares Grant Thornton's concerns about the financial sustainability of some in the sector.

"While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector."

Grant Thornton

CIPFA

Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating "This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee's development."

CIPFA go on to state "Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA's 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

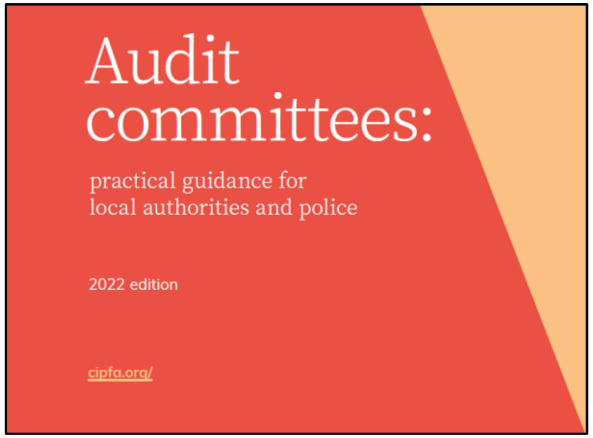
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools."

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
  - Governance, Risk and Control
  - Accountability and Public Reporting
  - Assurance and Audit arrangements
  - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA]



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Grant Thornton

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023

Contents

EXECUTIVE SUMMARY

Time for change

There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

The Audit, Reporting and Governance Authority (ARGA) will act as the new systems leader for local audit, with a dedicated unit with local government audit expertise. Interim arrangements are in place, including the appointment of the first Director of Local Audit (DLA) by the Financial Reporting Council (FRC). The FRC and the Department for Levelling Up, Homes and Communities (DLUHC) have published an agreed memorandum of understanding which sets out the roles and responsibilities the FRC will take on as system leader during the shadow period ahead of the intended establishment of ARGA.

Public Sector Audit Appointments Ltd (PSAA) has awarded new contracts at more sustainable fees, and new market entrants should help to secure a more competitive and resilient local audit market over time.

The current National Audit Office (NAO) Code of Audit Practice (CoAP) will apply for the next PSAA contract round, through to 2027/28, providing greater certainty on audit workloads.

Delays caused by infrastructure accounting have been largely resolved by the related Statutory Instrument and revised accounting requirements and guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). Steps are being taken to develop a longer-term approach to the accounting framework for these assets.

While these changes are positive, we do not consider that they are sufficient. The actions do not address the backlog of audits nor do they set out a sustainable future for local audit. We note the following matters that are yet to be tackled:

- **Clarity over the purpose of local audit** – there remains a lack of agreement over the role of local audit. The balance between financial statement audit and value for money audit has moved in the last 10 years towards financial statement audit. In our experience the current focus on financial statements audit is not always valued by the sector. An urgent debate is needed over the role and focus of local audit that involves the sector and key stakeholders.
- **Complexity of local government financial statements** – statutory accounts in the sector are complex due to the need to comply with both IFRS and statute (covering overrides for pensions, property, plant and equipment, school grants, financial instruments and infrastructure). Further, in recent years, more councils have become more commercial, sometimes resulting in highly complex accounting. Accounts regularly exceed 100 pages and are not easily understandable by members of the public. A consensus is needed on the right financial reporting framework for local government.
- **Focus of financial statement work** - in our view, there is no universal agreement between the sector and stakeholders over the focus of financial statement audits. This is particularly prevalent in the audit of land and buildings for example schools and other operational buildings. We note that this is the prime cause of delays in issuing audit opinions. Without consensus on this and what matters for the sector and its decision making we do not consider that there will be significant progress in returning to timely audit.
- **Finance teams** – the quality of too many financial statements and working papers are not adequate. Some councils have multiple sets of accounts open. Improvement in accounts preparation, and recruitment and investment in finance teams is essential if local government is to prepare consistently high-quality draft accounts and respond to the challenges presented by an enhanced audit regime. Greater accountability is needed from Finance Officers and Audit Committees.
- **Dealing with the backlog** – public sector audit is a specialist skill with finite resources; too much of this resource is now absorbed in resolving the backlog of audits and in dealing with poor governance and financial reporting at a small proportion of audited bodies. The local audit framework needs some temporary flexibility to deal with the serious backlog of audits. For example, by introducing reduced financial reporting requirements for late audits. Late audits create a high risk for current financial reporting governance.
- **Intervention** – there is no legislative basis for audit firms to issue modified opinions or close audits where financial reporting issues are extensive, or audits are elongated. Audits can continue indefinitely, unlike in the corporate world where companies can be struck off for failure to file accounts. Government intervention, in our view, is needed for audited bodies where there are significant failures in financial reporting and an unwillingness to take the necessary steps to produce robust financial statements.

Until these matters are resolved, we do not consider that the September deadline for audited financial statements proposed by DHLUC is achievable.

While we have made recommendations for other stakeholders in the sector, we recognise that we have our own part to play in resolving the backlog. As a firm we have a clarity of purpose – doing what is right, ahead of what is easy. We have invested heavily in recruiting and training the auditors of the future. We are committed to delivery of high-quality audits and continuous improvement. We continue to develop and deliver responsive training for our team, bespoke to the public sector audit environment; this is accompanied by assessments to test understanding. We have invested in information technology, including in data extraction tools, workflow management systems and a cloud-based audit platform.

We have also invested in central quality teams, staffed with experts in public sector audit quality and financial reporting and in a partner-led Quality Support Team. As the market leader in this sector, we will continue with our investment in this sector and with our work to resolve the matters highlighted above.

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. We explore several of the causes of delay in this report and steps which might be taken to reduce the incidence of delays. These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

Our recommendations to improve timeliness are as follows:

For FRC, ARGA and Government

R1. To determine how to deal with the backlog of local government audits. In particular, to consider whether temporary flexibility can be introduced into the local audit framework to allow reduced scope audits to be undertaken on backlogged accounts. We consider this would be of benefit to the local government entities freeing them up for more forward-looking activities with limited detrimental impact on the users of the financial statements given some outstanding financial statements date back to 2019.

For FRC and ARGA

R2. To determine and agree with Government the purpose of local audit and the required focus on the financial statements and value for money arrangements elements respectively, particularly in relation to the audit of land and building assets.

R3. To consider whether local auditors can be represented as key stakeholders in local audit system meetings convened by the new Director of Local Audit.

R4. To consider whether the system leader's Annual reports on the state of local audit should highlight instances of poor financial reporting and longstanding delay to the publication of both unaudited and audited accounts.

For Government

R5. To require statutory officers to attest to the effectiveness of their financial reporting process, in line with Sir Donald Brydon's recommendation. This should form part of Government accounting requirements and non-compliance should result in intervention.

R6. To introduce intervention with commissioners where authorities do not afford sufficient priority to their financial reporting responsibilities.

R7. To decouple the reporting requirements for Pension Funds and Administering Authorities.

For FRAB, CIPFA/LASAAC and Government

R8. To reframe the accounting code to ensure financial statements provide the information needed by Government and elected members to manage and govern the local government sector.
This should include consideration of Whole of Government Accounts (WGA) requirements, particularly with regard to compliance with IFRS.

R9. To address Redmond's recommendation for summarised and accessible financial information to be made available to citizens, either through specifying required content within Narrative Reports or by introducing a standardised summary statement.

For local government bodies

R10. To make new investment in and keep under review the adequacy of in-house financial reporting skills, paying close attention to succession planning and professional training, and look to collaborate with other authorities or commission independent support where additional capacity or expert advice is required.

R11. To ensure auditors are engaged at an early stage where innovative, complex or significant transactions are anticipated, to allow for effective planning of the additional audit work which may be required.

R12. To ensure more consistent and robust completion of CIPFA's Disclosure Checklist and allow adequate time for robust internal quality assurance before draft accounts and working papers are presented for audit.

R13. Where significant accounting estimates are made, ensure the underlying assumptions and judgements are clearly documented and that appropriate experts are employed by the local government entity to support management on these judgements and estimates. These judgements should routinely be reported to Audit Committees.

For Audit Committees

R14. To hold management and auditors to account for preparing and monitoring delivery plans.

R15. To undertake a regular assessment of whether they have appropriate membership, training, and access to the professional support they need to effectively discharge their responsibilities.

R16. To report to full Council on an annual basis with their assessment of the account's preparation and audit process.

For auditors

R17. To focus on continuous improvement in delivering accounts audit and value for money arrangements work early and fostering effective working relationships where changes and potential complexities are identified, discussed, and planned for as soon as practicable.

R18. To consider whether to issue statutory recommendations where significant failures in financial reporting or governance are identified, delays become unacceptable or where insufficient attention is paid to timely financial reporting.

R19. To focus on making local public audit a more attractive career choice and promote the value of public sector audit and the wider societal benefits of robust and independent scrutiny.

R20. To support the local audit workforce strategy led by the Financial Reporting Council.

Introduction

There is broad consensus on the critical importance of robust and independent external audit of accounts in public sector accountability and the stewardship of public funds.

The extent of delay in publication of audited accounts across the local authority sector is severe and is therefore of widespread concern. In July 2021, the Public Accounts Committee (PAC) reported that without urgent action from government, the audit system for local authorities in England might soon reach breaking point.

By December 2022, PSAA had reported that across the sector more than 220 opinions from years prior to 2021/22 remained outstanding. Including 2021/22, audit firms still had more than 630 overdue opinions to issue as at December 2022 – by way of comparison, PSAA awarded contracts relating to 456 principal audits audits in Autumn 2022.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

The achievement of deadlines for 2021/22 is clearly poor. There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

All key stakeholders including local audited bodies, the audit firms, DLUHC, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales (ICAEW) will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

Importance of audited accounts

Local authorities, police and fire bodies in England are responsible for approximately £100 billion of net revenue spending each year. These bodies are responsible for delivering many of the public services which local taxpayers rely on every day.

The intended primary users of local authority accounts are citizens, as taxpayers and users of local services, and the framework for financial reporting and audit needs to protect their interests. In practice, due to their complexity, local authority accounts are primarily used by other key stakeholders, including elected members, those responsible for governance, Parliament, DLUHC, the NAO, businesses, banks and other financial institutions, auditors, regulators and the press.

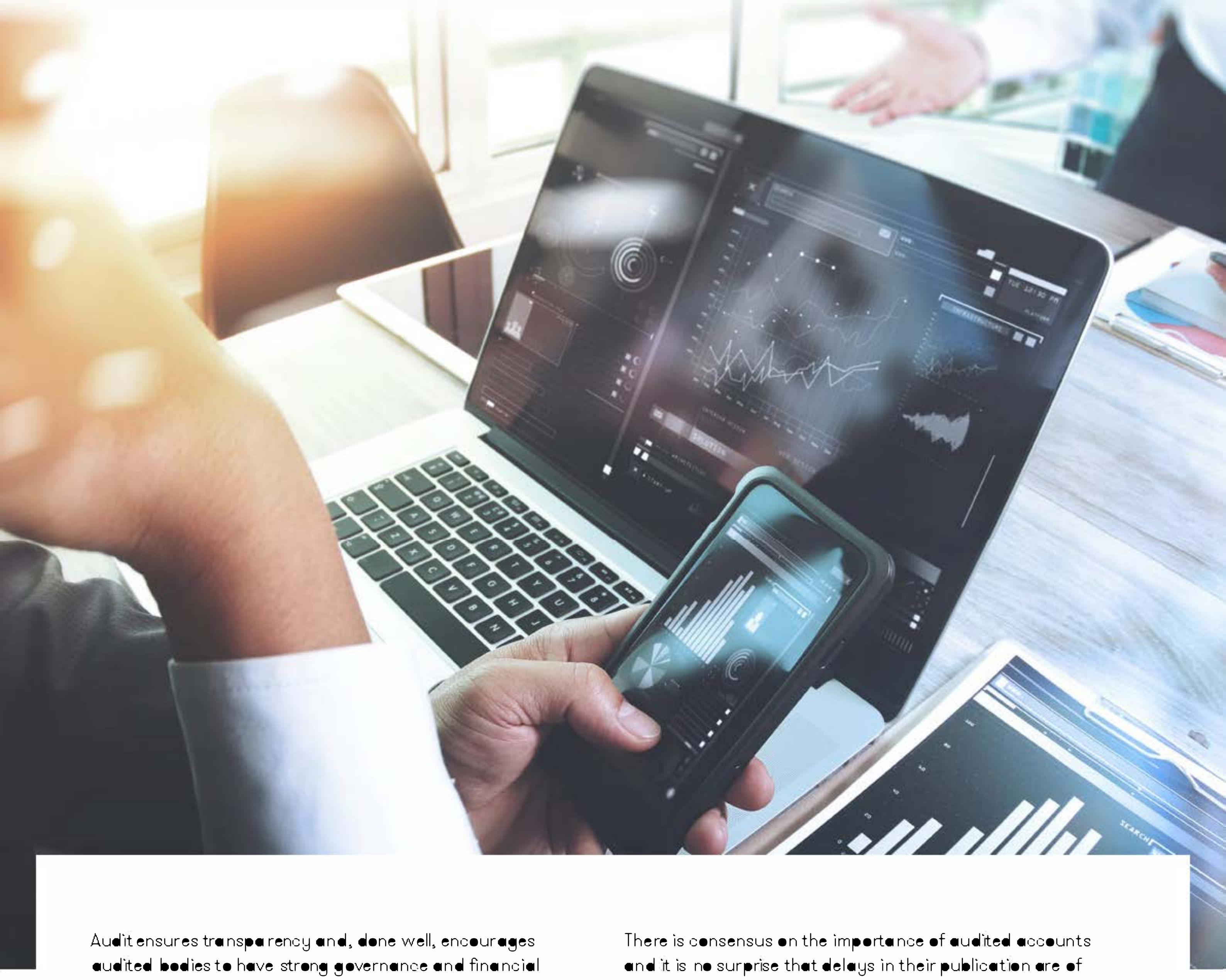
The NAO have commented that proper accounting for public funds and high-quality public audit are pivotal for trust in public finance and expenditure in an accountable and democratic system. The risks from poor governance are greater in the context of funding pressures, as the stakes are higher, and the process of governance itself is more challenging. External audit is one of the key checks and balances in the system of local government.

PSAA, the body responsible for securing appointment of auditors on behalf of most local authorities, recognises audited accounts as the main way public bodies demonstrate accountability for managing public money. They consider publication of timely audited accounts, with an audit opinion, as a key element of financial management arrangements and a fundamental feature of good governance.

CIPFA LASAAC, the Board responsible for preparing the Code of Practice on Local Authority Accounting for the United Kingdom, notes UK local authority accounts should be widely recognised as an exemplar for clear reporting of the financial performance and position of public sector bodies. Users of accounts should be able to access the information they want to help them to understand the finances of an authority and to take practical and informed decisions.

The PAC, in its May 2019 report Local Government Governance and Accountability, commented that the then Ministry of Housing Communities and Local Government (MHCLG) placed great reliance on external auditors. It recognised that the importance of this work is heightened as council activities become more varied, complicated and commercial.

MHCLG was clear it viewed a robust local audit system and transparent local authority financial reporting as key to delivering Value for Money (VfM) to taxpayers, and for sustaining public confidence in our systems of local democracy. Statutory accounts are the only publicly reported information provided by local authorities that are subject to external audit. For users of the accounts to trust and rely on this information, they must both have confidence the audit process is robust and be able to understand what the financial reports are telling them.



Audit ensures transparency and, done well, encourages audited bodies to have strong governance and financial records. Effective, high-quality audit is becoming increasingly important as local authorities' accounting practices become more complex and the sector comes under financial pressure. In recent years more councils have become more commercial, sometimes becoming involved in activities they have not traditionally had the experience or expertise to operate in. This has changed the risks that councils are facing, so it is essential that the financial reporting and audit process is able to make these risks clear to the reader.

The FRC, the body responsible for the publication of auditing standards and monitoring the quality of major local audits, views high quality audit as essential to maintain stakeholder confidence by providing an independent view of a major local body's financial statements and arrangements in place to secure VfM. Poor auditing may fail to alert management, the public and other stakeholders to material misstatements, including those arising from fraud, or financial control weaknesses, not already identified or addressed by management.

The combination of management not meeting their responsibilities and poor auditing could potentially put resources, services, and jobs at risk.

There is consensus on the importance of audited accounts and it is no surprise that delays in their publication are of widespread concern. Crucial issues may not be identified in a timely manner if auditors are bogged down in prior year audits - a small number of audit opinions are now six or seven years behind schedule.

Timeliness matters and the implications of the late delivery of audit opinions are significant. Local authorities need accurate and reliable financial information to plan and manage their services and finances effectively. Accounting information and audit reports needs to reach government in a structured, timely and co-ordinated fashion. Delays to local audits cause delays for audits elsewhere in the public sector and ultimately for the Whole of Government Accounts.

In the next sections of this report we will consider the publication requirements for the accounts and performance against these targets before exploring reasons for the delays experienced in recent audit cycles.

Publication requirements and performance

Requirements

The Local Audit and Accountability Act 2014 (the Act) requires local government, police, fire and other relevant authorities to prepare annual accounts which must be audited in accordance with the provisions of the Act.

The Accounts and Audit Regulations 2015 (AAR 2015) establish the timetable for publication of unaudited accounts and the subsequent publication of the accounts, together with any certificate or opinion issued by the auditor. Where an authority is unable to publish its accounts with the auditor's opinion, it must publish a notice to that effect, including the reasons for the delay. Thus, while there is no explicit statutory deadline by which auditors must give their opinion on the financial statements, there is a clear expectation that local authorities should publish accounts with the auditor's opinion by the statutory publication date.

For financial years up to 2016/17 only a small proportion of bodies failed to meet the audited accounts publication target, and this was always to be expected, due to specific local accounting, auditing, or resourcing issues.

For audited bodies, the challenge from 2017/18 was to prepare draft accounts within two months of the year end and for auditors it was to conclude their audits two months thereafter, parity for preparers and auditors being preserved, with each having one third less time than they had for 2016/17.

In recognition of the many challenges the outbreak of the Covid-19 pandemic posed, the accounts publication timetable was extended. Preparers had until 1 September 2020 to publish draft 2019/20 accounts and until 30 November 2020 to publish accounts with any certificate or opinion issued by the auditor.

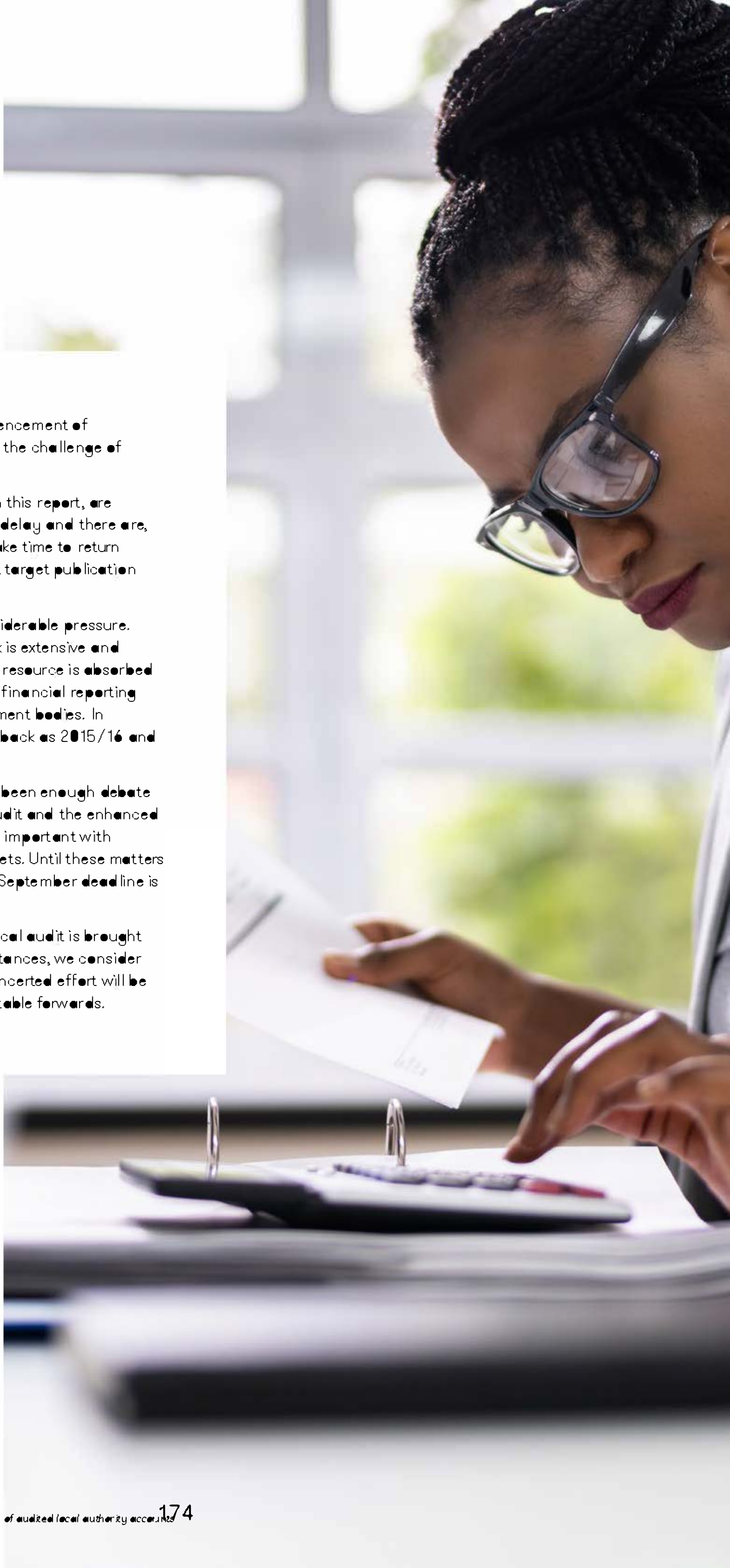
Several authorities pressed ahead, working to their original 31 May 2020 timetable, but the pressures of responding to a crisis which was unprecedented in recent times meant that many could not. Where authorities worked to their new statutory deadline, five months after the year end, auditors had just three months to conclude their work, if the target for publication of audited accounts was to be met. The uncertainties brought about by the pandemic, the consequent changes to local government finance and the restriction of lockdowns added to the challenge of delivering local audits. We explore this in more detail later in this report.

In July 2022, the Accounts and Audit (Amendment) Regulations SI 2022/708 came into force setting the target date for publication of 2022/23 to 2027/28 audited accounts as 30 September after the relevant financial year end.

Table 1 illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20



With a growing backlog of audits, commencement of subsequent audits is delayed, increasing the challenge of returning to sustainable, timely delivery.

The reasons for the delays, as explored in this report, are multifaceted. There is no single cause of delay and there are, unfortunately, no quick solutions. It will take time to return to consistently high performance against target publication dates.

Audit resources are finite and under considerable pressure. At the time of writing, the backlog of work is extensive and greater than ever before. Too much audit resource is absorbed in dealing with longstanding and historic financial reporting issues at poorly performing local government bodies. In certain instances, audits are open as far back as 2015/16 and continue to absorb audit resource.

Perhaps more importantly, there has not been enough debate with the sector on the purpose of local audit and the enhanced audit scrutiny it faces. This is particularly important with regards to the audit of local property assets. Until these matters are resolved we do not consider that the September deadline is achievable.

We think it is about time the delivery of local audit is brought back on track. Under the current circumstances, we consider that a November date is achievable. A concerted effort will be needed from all parties to move this timetable forwards.

Reports, reviews and inquiries

PAC, in its May 2019 report Local Government Governance and Accountability commented that MHCLG did not know why some local authorities were raising concerns that external audit was not meeting their needs.

However, a number of key representative organisations and councils informed PAC they had concerns about external audit. In recognition of PAC's concerns and the importance of local audit, in June 2019 MHCLG asked Sir Tony Redmond to carry out a review of the effectiveness of local audit and the transparency of local authority financial reporting. Redmond is a former local authority treasurer and chief executive, former CIPFA President, and is well-respected by the various stakeholders involved in local public audit.

Redmond's Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting, published in September 2020, followed Sir John Kingman's Independent Review into the Financial Reporting Council published in December 2018, the Competition and Markets Authority Statutory audit services market study published in April 2019 and Sir Donald Brydon's Independent Review into the quality and effectiveness of audit which was published in December 2019.

Redmond's report included a total of 23 recommendations. His recommendations included that a new body, which he suggested be named the 'Office of Local Audit and Regulation' (OLAR), be created to manage, oversee and regulate local audit. He also recommended the fee structure for local audit be revised to ensure adequate resources are deployed and that the deadline of 31 July for publication of audited accounts, which was viewed as unrealistic, be revisited with a view to extending it to 30 September.

Touchstone Renard's (TR) February 2020 report Future Procurement and Market Supply Options Review, commissioned by PSAA, noted the timing of local audits was problematic. They reported the target date of 31 July was putting extreme pressure on experienced staff and requiring more use of less experienced staff, potentially compromising quality. The target date was reported as the single most important factor, apart from fees, making the market unattractive and threatening its sustainability.

In the government's initial response to the Redmond Review, published in December 2020, MHCLG agreed with Redmond's recommendation that the timetable for publication of audited accounts be reviewed. MHCLG indicated that, subject to consultation, regulations would be amended to extend the deadline to 30 September for a period of two years, to be followed by a further consideration. In its December 2021 package of measures to improve local audit delays, MHCLG's successor DLUHC went further, committing to extend the deadline to 30 November for 2021/22 accounts and to 30 September for the following six years. This commitment was made good in June 2022, with the laying before Parliament of the Accounts and Audit (Amendment) Regulations SI 2022/708.

In its March 2021 report 'Timeliness of local auditor reporting in England', the NAO noted there were insufficient staff with the relevant qualifications, skills and experience and a net loss of qualified staff in both local finance teams and firms serving the local audit sector. Their report also noted that the pandemic had exacerbated problems which already existed within the local audit landscape.

Following on from reports from Redmond and the NAO, the PAC held an inquiry into the timeliness of local auditor reporting on local government in England in May 2021 and published its report, Local auditor reporting on local government in England, in July 2021.

PAC commented that the accountability of local authorities to stakeholders, such as residents and service users was a priority. It observed the delays in audit opinions gave MHCLG less assured information on the local government sector than usual and warned that without urgent action from government, the audit system for local authorities in England might soon reach breaking point.

PAC made a number of recommendations to MHCLG, including that PSAA's procurement exercise, which was due to commence in 2021, support a new fee regime, that work take place to support accelerated training and accreditation of auditors and that MHCLG address the need for strong system leadership ahead of the establishment of ARGA.

In the next section we consider the importance of system leadership for local public audit and how, following on from the Act, weak system leadership has contributed to delays in local audit.

EXPLORING THE CAUSES OF DELAY

System leadership

In his report, Kingman observed that following the abolition of the Audit Commission (AC) in 2015, the framework for the local audit regime was 'split, complex and fragmented'. He observed that public sector specialist expertise had been dispersed around different bodies, with no one body looking for systemic problems and no apparent co-ordination between parties to determine and act on emerging risks.

Multiple organisations currently play important roles in the complex landscape of the local audit system. DLUHC has oversight of local authorities and responsibility for maintaining a set of statutory codes and rules for local authorities. The NAO maintains a Code of Audit Practice (CoAP) for audits of local bodies and issues guidance to auditors. PSAA is the body responsible for securing appointment of auditors on behalf of local authorities opting into its services. CIPFA is responsible for publishing the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the ICAEW is responsible for independent monitoring of the quality of local audits outside the FRC's population and for the registration of Key Audit Partners. The FRC is responsible for the publication of auditing standards and monitoring the quality of major local audits (bodies with total income or expenditure exceeding £500m and pension funds with more than 20,000 members or gross assets over £1bn). The external audit firms are responsible for auditing the financial statements of local authorities and concluding on whether authorities have made proper arrangements for securing VfM.

Kingman noted no one body was tasked to understand and examine any tensions arising from current trends, for example between reducing audit fees and the increasing complexity of local audit given the challenging financial situation of local authorities. He noted the FRC was an expert in private sector corporate audit but its expertise and detailed understanding of issues relevant to local audit was limited.

Kingman recommended arrangements for local audit needed to be fundamentally rethought to ensure robust assessment and scrutiny of the quality of local audit work, appropriate enforcement action and the bringing together of all relevant responsibilities by a single regulatory body.

Redmond agreed. He noted the absence of a body to coordinate all stages of the audit process and made detailed proposals for a 'new organisation with the clarity of mission and purpose to act as the system leader for the local audit framework'. He noted the local audit market was very fragile. Performance against the target for publication of audited 2018/19 accounts signalled a serious weakness in the ability of auditors to comply with their contractual obligations and Redmond noted the fee structure did not enable auditors to fulfil the role in an entirely satisfactory way.

Redmond highlighted lack of co-ordination and the lack of a system leader as being widely recognised weaknesses in the local audit framework.

Therefore, Redmond recommended OLAR be created to manage, oversee and regulate local audit. It would have responsibility for the procurement and management of local audit contracts, reporting annually on the state of local audit, monitoring local audit performance and determining the CoAP.

In our evidence to the PAC inquiry, as in our submission to the Redmond Review, we strongly advocated for a systems leader, given the need for an holistic approach to the audit of a sector which is of critical interest to service users, taxpayers, central government and society at large.

Kingman had proposed a new regulator, ARGA, with a new mandate, a new clarity of mission and purpose, new leadership and new powers and that it should be accountable to Parliament and have a new Board.

Following the Kingman and Redmond reviews, government confirmed its intention that the system leader for local government should be ARGA, with PSAA continuing with the procurement of local government audit.

In its 2021 report, the PAC commented that there was a crisis in local government audit and the need for system leadership for local public audit, identified by Redmond, was pressing. PAC heard of an existential threat to the local government auditing system and it noted practical and concrete steps were needed to address urgent problems, which could not wait for ARGA. In its view, there was a pressing risk of market collapse due to over-reliance on a small number of audit firms and significant barriers to entry. Further, the commercial attractiveness to audit firms of auditing local authorities had declined. PSAA agreed that the challenges facing the market were serious and pervasive.

The government recognised the need for effective system leadership and strongly supported Redmond's recommendation for a systems leader to prepare annual reports on the state of audit in local government.

DLUHC worked closely with PSAA on their strategy for procuring auditors for the 2023/24 to 2027/28 period. The Department also reached agreement with the NAO and FRC that the CoAP 2020 will apply for the whole of the next appointment period, thus providing greater clarity over the scope of local audit in future years.

The FRC will be the convener for the local authority audit system, when it transforms to become ARGA. One of the roles will be the Chairmanship of the Liaison Committee. The intention is for key stakeholders including DLUHC, HM Treasury, CIPFA, ICAEW and PSAA to be represented. ARGA will be responsible for the CoAP, for regulating quality and performance, for producing an annual report, chairing a liaison committee and setting audit standards.

MHCLG also committed to assuming a stronger leadership role in the interim period, before ARGA is established, and it initiated the Local Audit Liaison Committee (LALC) from July 2021. LALC has published minutes of six meetings covering the period up to October 2022. LALC has drawn its membership from a wide range of stakeholders, although whilst members agreed they were happy for audit firms to attend future meetings, no firm has yet been represented there.

The FRC, acting as shadow system convener, appointed the first DLA in September 2022. A Memorandum of Understanding (MoU) between the FRC and DLUHC was published in March 2023. Under the agreement, the FRC will have responsibilities which include leading the response to challenges arising across the local audit system, leading work to improve competition and bolster capacity, overseeing the entire quality framework for local audit and preparing an annual report on the local audit system. In the agreement, DLUHC reinforced its commitment to delivering on the Redmond Review, set out its intent to send the systems leader an annual Remit Letter covering its priorities and signalled it will review the MoU in a year's time.

A key role of the new system leader will be to determine the role of local audit. Over the last ten years there has been a movement away from value for money audit towards financial statement audit. There is currently a lack of agreement over whether this change is the right one. The current focus on the technical aspects financial statements audit is not, in our experience, valued by the sector. This is particularly the case with certain aspects of the audit such as property valuation which have no direct General Fund impact. An urgent debate is needed over the role and focus of local audit that involves the sector and key stakeholders.

We are encouraged by the appointment of the first DLA and will look to support them in their important work, given our mutual interest in audit quality, the topic we consider next.

11 About time? *Exploring the reasons for delayed publication of audited local authority accounts*

Audit Quality

In his December 2018 report, Kingman noted the financial crisis ten years earlier reflected failings in accounting and financial reporting. Part of the genesis of his review had been concern that a more effective FRC could do more to avert major corporate collapses, such as that of Carillion plc.

Notably, for 2017/18, no firms subject to Audit Quality Reviews (AQRs) had met the FRC's stated quality target. Kingman noted the FRC's 2018 announcement of plans to enhance its monitoring of the six largest audit firms, including a 35% increase in inspections in 2018/19. His review recommended greater transparency with regards review findings and an increase in the seniority of staff conducting AQR inspections.

Kingman also recommended the arrangements for local audit needed to be fundamentally rethought, and these should include robust assessment and scrutiny of the quality of local audit work. He recommended a separate local audit regulator, with deeper expertise of local audit, a clear objective to secure quality and responsibility for appointing auditors and agreeing fees. This body should have a different, and much more focused, remit than the former AC.

Amongst Brydon's recommendations was the introduction of 'professional suspicion' into the qualities of auditing, in addition to scepticism. Such a change would clearly raise the bar and necessitate additional and more detailed audit work.

He counselled for greater transparency over what the regulator regards as good audits, rather than a majority emphasis on failures, and it is pleasing to see good practice being highlighted in the FRC's 2022 report on the quality inspections of major local audits.

Brydon noted a triangle of reviews, his own, alongside Kingman's and the Competition and Markets Authority's April 2019 Statutory Audit Services Market Study and hoped the time for major reviews was over for several years and that legislative and regulatory action would follow.

The AC had previously contracted with the FRC to undertake quality assurance reviews of local authority audits, with coverage of at least one from each firm for the 2016/17 and 2017/18 financial years. At this time, in their reviews the FRC noted concerns about the quality of audit work relating to operational and investment property and pension liability valuations. The FRC also paid particular attention to audit work relating to the occurrence and completeness of expenditure, impairment of receivables and to auditors' fraud risk assessments and responses. From 2018/19 the FRC's responsibility for AQRs of the 230 larger local authority audits was placed on a statutory footing.

Kingman had noted that the FRC found itself subject to 'tough and persistent criticism', criticisms which put it under an 'unprecedented spotlight'. This then set the scene for FRC inspections of local audits which followed.

In October 2020, the FRC published its first public report setting out the principal findings from its inspection of 2018/19 major local audits. The FRC reported that nine audits, across seven audit firms reviewed, required improvements and, as this represented 60% of the audits reviewed, this was unacceptable, with urgent action required by some firms including the need for detailed Root Cause Analysis. Yet the FRC found that the quality of VfM arrangements work remained high across all audit firms.

The FRC reported that the quality of audit work over property valuations continued to be their area of greatest concern, with auditors needing to strengthen their audit procedures and their challenge of management and valuation experts in the testing of property revalued in the year. This included ensuring sufficient work testing the completeness and accuracy of data provided to, and used by, management experts, challenging and corroborating valuation assumptions and giving consideration to properties not revalued in the year.

This additional scrutiny has, in several cases, led to management commissioning additional work from their valuers and in some cases even led to management replacing their valuers and commissioning reports from new valuation experts. Additional audit focus on property valuations has meant auditors are increasingly reliant on receiving information from expert valuers. It is therefore vital that appropriate valuers are used by local government entities to provide management with high quality information and to provide auditors with appropriate evidence to audit.

In October 2021, the FRC reported that 70% of twenty 2019/20 audits reviewed required no more than limited improvements and that, while it was too soon to identify this improvement as a trend, it was encouraging. The FRC again noted strong performance with regards the quality of VfM arrangements work.

However, the FRC once again noted room for improvement in the audit of property, plant and equipment and investment property balances.

In October 2022, the FRC's inspection of twenty audits, across the firms, found 70% were good or with limited improvements required, consistent with the prior year – although inconsistency in audit quality remained, and the importance of sufficient evaluation and challenge of assumptions in property valuations was raised once again.

As a firm we have re-affirmed our commitment to audit quality, having invested to expand our public sector audit quality and financial reporting teams and provided more bespoke training, guidance and support to our audit teams. We are pleased with our continuing improvement journey, which reflects on our significant investment in audit quality over recent years and continue to invest in audit quality to ensure that the required standards are met. The positive direction of travel over the past five years is illustrated below:

Table 2 FRC assessment of the quality of Grant Thornton financial statements audits - major local audits

Where FRC findings indicate an auditor has failed to comply with the auditing framework, its Enforcement Committee can sanction an audit firm for such breaches or may refer the conduct in question for consideration under the FRC Accountancy Scheme or the disciplinary procedures of the relevant supervisory body. In January 2022, the FRC issued its first fine to a local audit firm for non-compliance with the Regulatory Framework for Auditing.

Audit firms have acknowledged the need to improve audit quality. In response they have invested in quality improvement programs, additional testing, and are increasingly using experts to inform their audit conclusions. The additional audit work requires additional work from local finance staff. The increased work has, inevitably, increasing the time taken to conduct audits but had also improved the quality of local government financial reporting.

In short, the FRC's focus has been successful in improving both the quality of audit and the quality of financial reporting in the sector. Our firm, and other local audit firms, are not willing to compromise on audit quality. Firms will defer audit reports where it is not possible to complete work to the required standards by target dates.

This has posed a number of issues for the sector:

Local government accounts are complex and need to comply with IFRS and statute (covering overrides for pensions, property, plant and equipment, school grants, financial instruments and infrastructure). The full application of these standards and legislation has substantially increased the volume of audit work required.

The pressure on resource and the significant technical knowledge needed to undertake local government audit has reduced the attractiveness of the sector to audit firms. It is one of the factors that has seen suppliers exiting the market.

Equally, the complexity of audits, high risk commercial ventures and complex accounting arrangements has increased the amount of work needed.

These factors have made local audit a difficult area in which to recruit. There remains a limited pool of local audit talent, with many newly qualified local auditors choosing to follow alternative careers. This has exacerbated timeliness issues.

Audits are now a 'harder test' than they were five years ago. In our view, there is a lack of consensus between the sector and stakeholders over the focus of financial statement audits. This is particularly prevalent in the audit of property. Without consensus on this and what matters for the sector and its decision making, we do not consider that there will be significant progress in returning to timely audit.

Accounting for infrastructure assets is an example of this impact.

In February 2022 concerns were raised by a local government auditor that some authorities were not applying component accounting requirements appropriately to the reporting of infrastructure assets. Infrastructure is a broad class of assets which may include roads, foot and cycle ways, structures such as bridges, tunnels and coastal defenses, street lighting, street furniture and traffic management installations.

The underlying issues were found to be more prevalent than anticipated and the issue quickly became an area of focus for all local audit firms. In recognition of a complex, serious and widespread issue, with the potential to result in audit delays and qualification of audit reports, CIPFA offered to assist and established an "Urgent Task and Finish Group" in March 2022. CIPFA subsequently launched an urgent consultation on temporary proposals to update the Code.

CIPFA, the NAO and the audit firms engaged with DLUHC when it became evident that resolution of the underlying issues was not possible solely through amendment of the Code. DLUHC subsequently determined that statutory regulation was necessary to unlock increasingly apparent complex technical accounting issues.

Code updates and statutory accounting regulations are unusual measures. Due process to update the Code and to introduce secondary legislation takes time. A Code update was published at the end of November 2022 and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 were laid before Parliament, to become effective at the end of December 2022.

Highways authorities typically hold highly material infrastructure balances, as do some other local authorities. Pending the release of the Code update and the effective date of the regulations, many local auditors were not in a position to conclude that draft accounts presented a true and fair view.

This issue came to light at a particularly unfortunate time, further delaying some 2020/21 and many 2021/22 audits and compounding the delays considered in this report. It took nine months to put in place a temporary solution to this issue, and it will take considerably longer to put in place a permanent solution. The benefit to the sector of this focus on infrastructure assets continues to be debated.

Risks in an evolving sector

The environment in which authorities operate, the expectations upon them and the availability of central government funding have been subject to significant changes over the last fifteen years.

Brydon observed that the 2008 financial crash cast a long shadow forward. Whilst his comments were in the context of corporate audit, there were clear parallels for local audit. Trust in leaders and organisations does appear to have fallen.

Ineffective or untimely audit can contribute to organisational failure if warning signals are not communicated in time, or with sufficient clarity.

In his review, Kingman observed that local authorities were under acute financial pressure, with some engaging in risky speculative ventures. He was very concerned that the quality of scrutiny was being pared back, at the worst possible time.

The Redmond review similarly observed that audit risk has increased as a result of the impact of austerity, including local authorities cutting back on finance staff and in some cases undertaking more risky commercial ventures.

Redmond noted one of the most significant sectoral trends since 2015 was the increased commercialisation of local authorities, citing both investment in commercial property and investment in wholly owned companies including housing and energy companies. The NAO's study on Local Authority Investment in Commercial Property concluded '…as with all investments, there are risks. Income from commercial property is uncertain over the long term and authorities may be taking on high levels of long-term debt with associated debt costs or may become significantly dependent on commercial property income to support services.' Redmond noted if local authority owned companies get into difficulties, the parent authority may ultimately be responsible or may have to write off loans or equity funding and this can impact financial resilience.

Acute financial pressure and risks arising from commercialisation are not theoretical risks, they have manifested in several recent high-profile examples across the local government sector.

Section 114 notices

In February 2018, Northamptonshire County Council's s151[1] officer, issued a s114 notice[2] which referred to the Council having faced a serious financial problem for some years. The notice stated that the Council faced an overspend of over £20m for the 2017/18 financial year and a danger of ending the year in a negative General Fund position. The notice came with serious operational implications, including a prohibition on entering new agreements involving spending until after full Council met to consider the notice.

Whilst Northamptonshire's was the first s114 notice to be issued in many years, it was not the last, nor the most financially significant. The s151 officers of the London Borough of Croydon, Slough Borough Council, Nottingham City Council and Northumberland County Council have all issued such notices, and Thurrock Council became the latest to join this unenviable club in December 2022. Thurrock's notice outlined the causes of an in-year deficit approaching half a billion pounds.

Timely auditor reporting is of heightened importance where there are instances of significant governance and financial failings. Under the 2014 Act, local auditors have a range of duties and reporting powers, including raising recommendations as part of their VfM arrangements work and issuing statutory recommendations and public interest reports, which audited bodies must respond to in public. Such powers can be, and are, exercised ahead of issuing audit opinions on statutory accounts, in recognition of the importance of bringing matters to stakeholders' attention in as timely a manner as possible.

Inevitably, where there are significant and sensitive matters to consider during the course of an audit, this takes time. This can be due to a combination of factors, including the need for a more sceptical and sometimes forensic approach to the audit, delays in obtaining key pieces of evidence required for the audit, the need to involve auditor's experts such as lawyers or valuers, the need for management to commission professional accounting, legal, valuation or actuarial advice, the need for auditors to consult with senior peers on complex judgements and changes in senior personnel within audited bodies.

Particularly challenging audits can absorb a vast amounts of audit resource, sometimes running into several thousand hours; this, of course, constrains the ability to the firms to progress other more routine audits.

Challenges faced include weaknesses in councils' decision-making processes, the failure of investments and group companies, novel transactions, non-compliance with laws and regulations, serious weaknesses in accounts preparation, bribery and corruption allegations, falsification of documents and in some cases a combination of all these factors which can result in lengthy delays to local audits. The consequences of significant reductions in audit fees will have presented genuine threats to audit quality in an increasingly complex sector.

In April 2020 the NAO published the new CoAP, effective from the 2020/21 financial year. The main change to the preceding CoAP was in respect of local auditor's VfM work. The change involved a move away from a binary 'qualified' or 'unqualified' VfM conclusion to an approach where the auditor now provides detailed commentary on organisational arrangements. This, coupled with changes to the form of auditor recommendations was designed to increase the value of this aspect of local auditor's work and we welcomed and fully supported the new Code which should assist in earlier warning over governance and financial failure.

Until 2018, PSAA published, under AC powers, an annual report summarising the results of local auditors' work and including lists of bodies where the publication date for audited accounts had not been met. Given the significant deterioration in performance against publication targets, such lists would not have been particularly practical or meaningful for years after 2018/19. However, this also means that a public spotlight has been removed from the smaller number of authorities which have been unable to publish audited accounts for long periods. There is a possible opportunity to address this gap in the newly appointed DLA's annual report on the state of local audit.

We will continue to encourage our local auditors to exercise their statutory reporting powers on a timely basis, where it is appropriate they are used. We also believe thought should be given to Government intervention where authorities are not giving sufficient priority to their financial reporting responsibilities.

1. Section 151 of the Local Government Act 1972, see Appendix
2. Section 114 of the Local Government Finance Act 1988, see Appendix

Complexity of accounts and reporting requirements

Local authority accounts are inherently complex and many authorities are increasingly engaging in innovative or unusual projects, such as arrangements involving multiple layers of lease agreements, trading companies, investments in commercial property and property trusts and transactions involving complex borrowings, investments and financial instruments.

Despite this, Redmond noted at least a third of authorities do not even purchase an up-to-date version of the CIPFA Code each year.

CIPFA's Code introduced International Financial Reporting Standards (IFRS) from 2010/11, recognising the framework as a gold standard of accounting which provides better quality financial information. CIPFA notes the strong case for the use of valuation models in accounting for the use of resources. Its view is that for the proper stewardship of assets, it is not enough to simply know how much they cost and how much of that cost has still to be paid for. Information about inherent value and the rate at which this value is consumed is needed to support the continued provision of services, supporting intergenerational equity of resource use.

Since the introduction of IFRS, financial statements contain many estimates and assumptions, generally required to be set out in notes to the accounts, that are dependent on judgements about the future. The impact is particularly notable in accounting for operational and investment property, pension liability balances and financial instruments.

Following the adoption of accruals accounting and IFRS by the local authority sector, successive governments have sought to protect council taxpayers from volatility in taxation arising from accounting entries which do not have an immediate impact on the cost-of-service delivery. This has been achieved through introducing 'statutory overrides' in secondary legislation. Whilst protecting council taxpayers from short-term volatility, the overrides complicate the accounts which are first prepared on an IFRS basis and then, via the Movement in Reserves Statement, on a funding basis. Reconciling the accounting and funding basis results in the inclusion of additional notes to the accounts which can be difficult for the lay reader to understand. Local authority accounts are lengthy compared to accounts in other sectors and are arguably more complex and more challenging to understand than accounts produced by other parts of the public sector. This increases the risk of error and omission in their preparation.

The NAO has commented that the requirements of IFRS, along with increased expectations from the FRC following the high-profile corporate failures, such as Carillion, have combined to produce a significant increase in audit work, for example on asset and pension valuations.

Brydon reflected that 'annual reports and accounts are already very long' whilst Kingman in his 2018 report commented that 'the regulator should be required to promote brevity and comprehensibility in accounts and annual reports'.

Redmond noted the breadth and complexity of IFRS as one of the factors contributing to the findings of his review. In his evidence to the PAC inquiry however, he noted he did not think many simplifications could be achieved within the framework of statutory accounts and that these will remain complex.

CIPFA published 'Streamlining the accounts' in 2019, emphasising the importance of a focus on who the principal users of the accounts are and what information they need, of the need to improve clarity by removing unnecessary detail and a focus on key messages to be communicated in relation to financial position and performance. The importance of appropriately using materiality to avoid key messages being obscured by excessive detail and the need to consider presentation and layout to help readers navigate through the accounts were stressed. The FRC has also published material on the subject of cutting clutter within accounts.

Another complexity of the current reporting framework has led to unnecessary delay in the conclusion of audits. Local authorities which administer local government pension funds are required to publish full Pension Fund accounts in the same document as their local authority accounts. This requirement means that the audited accounts of the host authority and related fund cannot be finalised until both audits have been completed. This co-dependency has compounded delays in the conclusion of audits and publication of audited accounts and decoupling them would support more timely publication of audited accounts.

In summary, statutory accounts in the sector are complex due to the need to comply with both IFRS and statute. Accounts are regularly over 100 pages and are not easily understandable by members of the public. A consensus is needed on the right financial reporting framework for local government.

Quality of draft accounts

The quality of draft accounts presented for audit can have a significant bearing on the time taken to complete an audit.

Whilst many sets of draft local authority accounts are prepared diligently and are free from material error, this is far from universally the case. In his review, Redmond noted that some auditors have experienced local authorities lacking accounting staff with the technical expertise necessary to complete the accounts.

Often the hallmarks of 'change' or 'complexity', for example a potential new entity within a group reporting boundary, the anticipated loss of control of a subsidiary or contemplation of significant and unusual leasing arrangements, can provide an early indication that financial reporting implications will need careful consideration and that early engagement with the auditor is advisable.

Where draft accounts are not reflective of relevant facts and circumstances, this can and will lead to auditors challenging underlying accounting treatments and in turn this can result in material and sometimes fundamental amendment of the accounts being necessary to avoid qualification. Such amendments cause duplication of effort, not least in both accounts preparers' and auditors reviewing updated versions of draft accounts. The need for amendment of accounts can delay planned timetables and result in the target for publication of audited accounts being missed.

In our experience, issues with group accounts preparation, accounting complexities arising from collaborative working arrangements, complex transactions and failure to meet disclosure requirements can, and often do, cause delays.

Following on from the 2008 financial crisis, a lengthy period of austerity and greater reliance on local sources of funding, the prevalence of new and complex arrangements in the sector has significantly increased. Unusual and complex arrangements often come with the associated risk that accounting implications are not fully understood ahead of transactions being concluded. Too often, auditors are not sighted on such transactions until receiving draft accounts for audit, by which time the opportunity for early risk assessment and engagement has passed.

Understandably, accountants may not have prior experience of similar complex, unusual or novel arrangements and the necessary technical accounting expertise may not be available in-house. Incorrect accounting may have a real impact on General Fund or Housing Revenue Account reserves. We regularly note authorities being reluctant to commission external accounting advice as part of the accounts preparation process. This appears to be in part due to the perceived cost of such advice and in part due to misplaced confidence; however, knowing when to seek advice is a strength and the cost of such advice can be insignificant when compared to the scale of the arrangement being accounted for or to the cost of delays caused by adoption of inappropriate accounting treatments. In many cases, accounting advice is eventually commissioned which, had it been available at the outset, could have saved both cost and time.

Brydon recommended a signed attestation by the Chief Executive and Chief Finance Officer that an evaluation of the effectiveness of internal controls over financial reporting had been completed and whether or not they were effective. We think consideration should be given to how such an approach might work for local authorities, to bring the importance of the preparation of high-quality accounts into sharper focus.

Proper completion of the CIPFA disclosure checklist by the finance team and thorough proof-reading and internal challenge of the draft accounts, by an individual familiar with the authority, but not directly involved in the detail of the accounts preparation process, can both make a significant difference to the quality of draft accounts and working papers submitted for audit.

Unfortunately, the quality of too many financial statements and working papers are not adequate. Some councils have multiple sets of accounts open. Others are having to rely on interim staff for accounts preparation which reduces corporate memory and impacts on succession planning. Improvement in accounts preparation, and recruitment and investment in finance teams is essential if local government is to prepare consistently high-quality draft accounts and respond to the challenges presented by an enhanced audit regime.

Responding to the audit process

Redmond's review noted some auditor concerns about local authority officers not being available to answer audit questions. He reiterated this point at the PAC inquiry.

In its evidence to the PAC inquiry, the Department noted there were some examples of very good practice in local authorities, with appropriate expertise, governance and oversight, whilst acknowledging that in some local authorities there is a lack of capacity and skills to act as a strong enough client in all situations, an issue further compounded by the pandemic.

Developments in the local authority sector and in technology have led to a significant increase in the complexity of financial systems used in the processing, recording, and reporting of transactions which feed into financial statements. The use of more complex systems increases the level of technical expertise required in their set-up and administration. In turn, it is more difficult for management to understand how their financial systems work and to exercise proper oversight over them.

Delays are often experienced in obtaining complete and accurate financial data reports from systems that reconcile to account balances and disclosures. This is generally due to reports not being designed to extract all relevant information to compile the financial statements, resulting in significant manual intervention to arrive at the values disclosed in the financial statements. Additional audit work is required to understand data sources and test manual adjustments for appropriateness, as well as undertaking planned audit procedures. Populations obtained for sampling can often consist of a large volume of transactions, including debits and credits rolled forward for a number of years. This leads to a high absolute value of transactions and increases the chance of selecting an item that does not represent a true year-end balance. Significant time can be spent in cleansing populations or selecting further items to obtain sufficient assurance.

Evidence received during audits also varies in quality. With thorough and well-explained evidence, testing can be completed quickly and efficiently, however where it is weak and lacking in detail the testing process takes much longer. For example, a good piece of evidence to support an accrual would be a working paper signposting the sampled figure with a comment on how it had been calculated and, if applicable, the subsequent invoice demonstrating its accuracy; in comparison, a poor piece of evidence would simply be a journal with no further comments. In the latter example it will take the auditor more time to understand the evidence provided and subsequently raise queries requesting further evidence which can result in a drawn-out and iterative testing process.

With increased audit focus on property valuations and pension liabilities, authorities should expect and be prepared to respond to audit queries and challenge on underlying assumptions, data inputs, the bases of valuation, clarity of instructions to management experts and compliance with CIPFA Code requirements. Rising audit quality expectations have increased auditor scrutiny and challenge of audited bodies. Similarly, auditors are now more likely to review the work of management experts, such as valuers, in much greater detail. The quality of some of underlying information made available as audit evidence by audited bodies is not sufficiently robust and this can lead to significant delays in concluding audits.

A well-documented accounts closedown process, which captures key data sources, internal and external contacts and their responsibilities and a well-organised approach to working paper preparation, review, version control and filing all help to smooth the audit process and add resilience should there be a change of finance personnel.

Clear and disciplined focus on the part of both preparers and auditors on what can be done early is also paramount. It is good practice for this to begin with an open and honest debrief at the end of each audit cycle, with a view to continuous improvement. Early work can and should take place to prepare and review accounting policies. Removing immaterial or redundant disclosures from accounts templates brought forward and entering early dialogue on areas of complexity and significant judgement can pay dividends.

In our experience, the audit process works efficiently and effectively where there is regular communication and collaborative working between the auditor and audited body.

Capacity

Local audit is a highly specialised field. To issue a safe opinion on a local government audit, thus playing an effective part in the safeguarding and reporting of public funds, auditors need a depth of knowledge and sector experience to apply judgement where the commercial focus of IFRS is not directly relevant and to understand the implications of the various specific legislative and regulatory provisions that have a bearing on the financial statements.

Local auditors also have a broader remit than their commercial counterparts, with responsibility for assessing local bodies' arrangements to secure VfM, and quasi-judicial roles on public objections to accounts and public interest reporting.

This change to the CoAP expanding the scope of the VfM arrangements work, coupled with evolving auditing standards and the increasingly demanding expectations of regulators, combined to cause a significant shift in the requirements on auditors, far beyond what could reasonably have been foreseen in PSAA's 2017 contract round. The timing of this change unfortunately coincided with the pandemic.

Local authorities have also experienced pressures in maintaining staff capacity and capability within their finance functions. The limited availability of staff with the relevant qualifications, skills and experience to deal with the complexity of work, compile working papers and financial statements of a high standard within the time available has made preparation of accounts increasingly challenging. We don't see enough attention being paid to the importance of succession planning and, in a sector with an ageing demographic, there is a growing need to recruit and train the public sector finance professionals of the future.

This increases audit risk and means it is even more important the auditor understands the accounting implications of transactions in the context of the financial and legal framework the bodies operate in and has the support of colleagues with sector experience.

The ability of auditors to work with political bodies and challenging politicians is a vital skill which is learned over an extensive period. Coming into the sector, having never audited a local authority before, is demanding and requires extensive support and training, whatever the wider experience of the auditor.

Significant numbers of experienced audit staff have left the audit profession entirely in recent years, moving into non-audit roles within firms providing audit services and into the public and wider private sector. A combination of long working hours, the compression of deadlines, pay constraint and also a vastly increased focus on auditing the valuations of operational property, which have no impact on General Fund balances, has proven unattractive for new and experienced auditors alike. High staff turnover presents difficulties in terms of the continuity of audit teams and the demand placed on experienced colleagues in recruiting, orienting and training new employees and consequently there has been an impact on the timeliness of some audits.

It is hardly surprising, but nevertheless of real concern, that Redmond noted many local authorities had a negative opinion of the overall knowledge and expertise of their audit teams. He highlighted the difficulty in attracting and retaining quality junior staff and the challenge of retaining more experienced staff.

He also noted some evidence that reduction in audit fees had led to a decline in the number of auditors with the appropriate skills, knowledge and expertise. He commented that a fundamental review of the fee structure was necessary as, following successive Audit Commission and PSAA procurement exercises, no assessment of the amount it would cost to audit each local authority, based on their level of audit risk, had been made in the previous ten years whilst, over the same period, there had been changes to the powers and duties of local authorities and to the environment in which they operate.

Kingman noted a serious concern that arrangements for central procurement of local auditors were, in practice, prioritising a reduction in the cost of audits at the expense of audit quality.

From 2014 onwards, PSAA took on the responsibility of managing the framework contracts let by the Audit Commission in 2012 and 2014. In 2017 PSAA itself let new contracts, covering financial years from 2018/19 to 2022/23. Five lots comprising between 5% and 40% of the total market were let with scale fees reducing by 23%, following an assessment which was weighted 50:50 between price and quality. By way of comparison, the final procurement managed by the AC used a price-quality ratio of 60:40.

Redmond observed that not only had audit fees declined in cash terms, they had also dropped by approximately 20% when compared to net current expenditure of local authorities. In his evidence to PAC, Redmond noted the balance between price and quality in the procurement process was a big area of concern.

Taking inflation into account, the position is starker still. In real terms, 2018/19 audit fees stood at 43% of their level in 2011/12. This is despite the fact, over the same period, fees had increased in other sectors. Towards the end of PSAA's first contracting period, in late 2022, in real terms audit fees were just 35% of the level they had been a decade earlier.

In our view, each of the procurement exercises between 2011 and 2017 placed too much weighting on price at the expense of audit quality. This drove down prices at the same time that accounts became more complex. Following the collapse of Carillion in January 2018, the Kingman review of December 2018 and the Brydon review of December 2019, the audit landscape changed in a way that could not have been foreseen in letting the 2017 contracts.

Brydon commented that 'the profession of auditor must become more attractive. Breaking the negative spiral into which the profession seems to have fallen is necessary. The profession itself is primarily responsible for providing an attractive environment for potential new auditors, and must address such crucial factors as work pressure, work-life balance and culture'. We also need to make public sector audit a more attractive career choice, to retain a higher proportion of staff post-qualification. This has also been recognised by the new DLA who has commented that the local audit system has a very bad press at present and that he is keen to see the importance of the role in safeguarding public funds elevated so that more people want a career in local audit.

In its March 2021 report, the NAO noted there were insufficient staff with the relevant qualifications, skills and experience in both local finance teams and firms serving the local audit sector and a net loss of qualified staff from both. The NAO also observed that delays in completion of audits affects the planning and progress of auditors' annual work programmes, with delays in local authority audits affecting the delivery of NHS audits and delaying the planning of subsequent local authority audits.

21 About time? Exploring the reasons for delayed publication of audited local authority accounts

The ICAEW told the PAC that the difficulty in finding sufficient qualified and experienced individuals to deliver local authority audits could in part be due to low margins on the audits, limiting the ability to offer higher pay, and in part due to less attractive career paths. Pressure on audit staff to work intensely over a short period of time exacerbated staffing issues. In our own evidence to the PAC inquiry, we recognised the need for more audit suppliers in the market.

DLUHC proposes to work with the new system leader and the audit firms to develop an industry-led workforce strategy to consider the future supply of local auditors. We are keen to work with the new DLA and the FRC on the development of a workforce strategy.

As a firm, we have increased the number of staff working on our local audits since early 2021 by engaging with partner Grant Thornton International firms in India and the Philippines. This initiative has seen over 70 new colleagues support the delivery of our audits; it is improving our resilience and sustainability and offers a promising pipeline for the future.

The PAC, in its July 2021 report, recommended that MHCLG should ensure PSAA's next procurement exercise supported a new fee regime for local government audit, appropriately funded with fees in line with costs of the work.

In its response to the PAC report, the government recognised the need for a more competitive market, new entrants and a stronger pipeline. MHCLG also provided an additional £15m to local bodies to help with the costs of audit and new initiatives and committed to provide greater flexibility to PSAA to agree additional audit costs.

One measure proposed is for firms to enter the market while carrying out relatively small packages of audit work, recognising the investment required in entering a new market. It is pleasing to note that PSAA has had some success with this initiative, although in the short-term there is a real risk that firms will compete amongst themselves for a relatively small pool of experienced local auditors, with resultant recruitment, orientation processes and rotation of audit personnel draining capacity within the system overall.

In October 2022, PSAA announced the outcome of its procurement of audit services for the 470 local government, police and fire bodies that opted into its national scheme for the next appointing period spanning the audits from 2023/24 to 2027/28.

The procurement took place against the challenging backcloth of a troubled audit profession, a turbulent market and a local audit system that is facing unprecedented difficulties including large volumes of delayed audit opinions. PSAA note only nine audit suppliers are currently registered to undertake local audits in England, three of which opted not to take part in the procurement.

PSAA offered contracts to six suppliers following a competitive process, with the scale of the contracts varying widely depending upon the capacity each supplier is able to provide. PSAA will retain the services of three existing suppliers, Grant Thornton, Mazars and Ernst & Young, welcome former supplier KPMG back to the market, and will enter into contracts with two new suppliers, Bishop Fleming and Azets Audit Services.

This will help to support sustainability and competitiveness in the local audit market, although this is a slow burn process as the two new market entrants will serve just 7% of the market through to 2027/28.

PSAA also advised bodies to anticipate a major re-set of total fees for 2023/24, involving an increase in the order of 150% on the total fees for 2022/23.

This level of increase, which goes a considerable way towards reversing a decade long series of fee reductions, should give audit firms the confidence to invest for the future. It will help to ensure audit quality as well as increasing capacity and making it easier to retain experienced and talented auditors within the market. Experienced auditors can also do more to promote the value of a career in public sector audit and the recent change to the CoAP, expanding the scope of VfM work, will assist with this.

Scale fee increases will also reduce the prevalence of audit fee variations arising simply from the time lag between increases in audit work due to changes in regulatory requirements and the setting of fee scales. Redmond noted that the audit firms considered the fee variation process to be unsatisfactory and we agree that administering large volumes of fee variations, for sector-wide reasons, is not the best use of auditors', authorities or PSAA's time.

Recovering to stable and sustainable publication of audited accounts will be a challenge for finance and audit teams alike, given capacity limitations and the need not just to deliver new audits, but also to clear the backlog of prior audits.

Governance

On a day-to-day basis, local government is generally a well-governed sector. There are of course exceptions and it is healthy to reflect on and, where appropriate, challenge the status quo.

CIPFA has been clear that audit committees are a key component of governance, noting their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

Leadership, behaviour, culture and appropriate financial management are all important, so having the right members on an audit committee, with an appropriate remit and appropriate training for those involved is key.

CIPFA has prepared separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee. Most recently refreshed in October 2022, this incorporates legislative changes and new expectations following the Redmond Review and guidance includes suggested terms of reference, a knowledge and skills framework and tools to help improve effectiveness.

Redmond reported there was merit in authorities examining the composition of audit committees in order to ensure that the required knowledge and expertise are always present when considering reports. He noted 56% of audit committees in councils had no independent members and recommended consideration be given to the appointment of at least one independent and suitably qualified member.

In his evidence to the PAC inquiry, Redmond commented on the capacity of audit committee chairs and members to absorb and understand the complex nature of many reports appearing before them. He urged for the forging of closer links with the s151 Officer, Chief Executive and Monitoring Officer to ensure the membership of the committee feels confident enough to challenge and manage issues presented to them.

Redmond noted partnership governance as an area receiving minimal or no specific coverage by Audit Committees and we have also commented on this in PIRs we have issued.

We agree with Redmond's recommendations in relation to governance and where applicable we encourage audit committees to thoroughly understand the reasons for delays in publication of audited accounts. Whilst recognising that delays can and do occur, audit committees should hold management and auditors to account for preparing and monitoring delivery plans.

Appendix - Management and audit committee checklists

Based on our experience as local authority auditors, best practice would be for management and audit committees to consider and address the points below. We recommend DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

Management

- Has a timetable been agreed with the auditor, including dates for draft accounts, working papers, and availability of key members of staff?
- Is the s151 Officer satisfied that arrangements are in place for robust completion of CIPFA's Disclosure Checklist and that appropriate time has been allowed for robust internal quality assurance before audit?
- Is the finance team clear on the information needs of users of the accounts, on their view of accounts preparation materiality and has the clarity of presentation of the accounts been reviewed?
- Does the finance team have sufficient capacity to prepare high-quality draft accounts on time? Should support or expertise be sought from outside the organisation?
- Has the need for significant accounting judgements and estimates been thoroughly assessed, especially in light of any organisational changes or significant new transactions? Have assumptions underlying judgements and estimates been properly documented and has the finance team assured themselves over the accuracy and completeness of data inputs to estimation processes?
- How has management assured itself over the competency of external valuation, accounting, actuarial or other expertise? Has management fully and appropriately briefed their experts?
- Has the finance team held a debrief meeting with the external audit team on the previous audit? What changes are needed for the following cycle?
- Is the finance team clear on the core working papers the audit team will require?
- Have the audit and finance teams discussed what work can be done early, outside the peak of post-statements audit fieldwork?

Audit Committee

- Does the Audit Committee consider it has the appropriate membership, training and access to professional support to effectively discharge its responsibilities?
- Is the Audit Committee assured on the effectiveness of internal control over the preparation of draft accounts?
- Has management clearly identified the significant judgements underpinning the financial statements? Does the Committee agree with them?
- Has management clearly identified the need for significant estimates in the accounts? How have the estimates been formed? What alternatives have been considered and have experts been involved where appropriate?
- Has the authority entered into any significant and complex new transactions in the year? If so, what has management done to assure the Committee these will be accounted for appropriately?
- Does the Committee understand the causes of any significant delays to the audit process? Is there a timetable, with clear accountabilities, in place for resolving delays?

Appendix - Timeline

Date	Event
October 2009	Approval of 2010/11 Code of Practice on Local Authority Accounting, the first based on International Financial Reporting Standards.
August 2010	Government announces intended abolition of the Audit Commission.
November 2012	Local auditors TUPE'd to audit firms following award of five-year audit contracts by the Audit Commission, covering financial years 2012/13 to 2016/17. Local audit fees for 2012/13 on average 40% lower than for 2011/12.
January 2014	Local Audit and Accountability Act enacted.
April 2015	All contracts awarded by the Audit Commission transferred to PSAA.
April 2015	The Accounts and Audit Regulations 2015 come into force. Target date for publication of audited local government accounts accelerated to 31 July, from 30 September; effective from 2017/18 financial year.
October 2015	Secretary of State extends transitional arrangements to cover local audits for 2017/18.
July 2016	PSAA specified as appointing person under LAAA 2014.
December 2017	PSAA award five-year audit contracts covering financial years from 2018/19 to 2022/23. Local audit fees for 2018/19 on average 23% lower than for 2017/18.
January 2018	Carillion PLC enters compulsory liquidation, largest ever trading liquidation in the UK.
February 2018	Northamptonshire County Council CFO issues s114 notice.
December 2018	Sir John Kingman publishes his *Independent Review of the Financial Reporting Council.*
June 2019	CIPFA publishes *Streamlining the accounts.*
December 2019	Sir Donald Brydon publishes his *Independent Review into the quality and effectiveness of audit.*
February 2020	PSAA publishes Touchstone Renard's report *Future Procurement and Market Supply Options Review.*
March 2020	UK enters its first Covid-19 lockdown.
April 2020	NAO Code of Audit Practice 2020 comes into force, introducing important changes to scope of local value for money audit.
September 2020	Sir Tony Redmond publishes his *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.*
October 2020	Financial Reporting Council publishes its first public report Audit Quality Inspections of Major Local Audits covering 2018/19 audits.
December 2020	DLUHC publishes initial response to Redmond Review.
February 2021	PSAA Audit Quality Monitoring Report 2020 notes 42% of 2018/19 local government opinions delayed beyond 31 July 2019 publishing date.
March 2021	NAO releases report *Timeliness of local auditor reporting on local government in England.*
July 2021	First meeting of the Local Audit Liaison Committee.
September 2021	PSAA launches local audit procurement strategy.

Date	Event
October 2021	FRC publishes second public report Audit Quality Inspections of Major Local Audits covering 2019/20 audits.
December 2021	DLUHC announces measures to improve local audit delays.
January 2022	FRC announces Regulatory Penalty of £250,000 against Mazars following an inspection of a local audit.
February 2022	Concerns emerge relating to the accounting for infrastructure assets in the local government sector.
February 2022	PSAA local audit contract notice for financial years 2023/24 to 2027/28.
March 2022	PSAA Audit Quality Monitoring Report 2021 notes only 45% of 2019/20 local government opinions published by 30 November 2020.
April 2022	CIPFA announces decision to defer implementation of IFRS 16 until April 2024, following an emergency consultation.
July 2022	Accounts and Audit (Amendment) Regulations SI 2022 /708 come into force, target for publication of 2022/23 to 2027/28 audited accounts set as 30 September.
October 2022	PSAA announces appointment of contracts for local audits to 2027/28, indicating an 'unavoidable major re-set of fees' of around 150% of 2022/23 fees
October 2022	FRC publishes third public report Audit Quality Inspections of Major Local Audits covering 2019/20 and 2020/21 audits.
October 2022	FRC announces commencement of tenure of first Director of Local Audit.
October 2022	CIPFA refreshes its guidance for Audit Committees.
November 2022	CIPFA publishes an Update to the Code for Infrastructure Assets and DLUHC lays Capital Accounting and Finance Amendment Regulations before Parliament.
December 2022	Thurrock Council issues s114 notice.
March 2023	Memorandum of Understanding between the FRC and DLUHC published.

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Glossary

AAR	Accounts and Audit Regulations 2015 (as amended)
AC	Audit Commission
Act	Local Audit and Accountability Act 2014
AQR	Audit Quality Reviews as conducted by the FRC
ARGA	Audit, Reporting and Governance Authority
CIPFA	Chartered Institute of Public Finance and Accountancy
CoAP	NAO Code of Audit Practice
Code	CIPFA Code of Practice on Local Authority Accounting in the UK
DLA	FRC Director of Local Audit
DLUHC	Department for Levelling Up, Housing and Communities
FRC	Financial Reporting Council
GF	General Fund
HRA	Housing Revenue Account
ICAEW	Institute of Chartered Accountants in England and Wales
LALC	Local Audit Liaison Committee
LGPS	Local Government Pension Scheme
MHCLG	Ministry of Housing, Communities and Local Government
NAO	National Audit Office
OLAR	Office of Local Audit and Regulation (body proposed by Sir Tony Redmond)
PAC	Public Accounts Committee
PIR	Public Interest Report
PSAA	Public Sector Audit Appointments Ltd
s114	Section 114* of Local Government and Finance Act 1998
s151	Section 151** of Local Government Act 1972
TR	Touchstone Renard
VfM	Value for Money

***S114 Local Government Finance Act 1988 114 Functions of responsible officer as regards reports.**

2 Subject to subsection (2A), the chief finance officer of a relevant authority shall make a report under this section if it appears to him that the authority, a committee of the authority, a person holding any office or employment under the authority, a member of the relevant police force, or a joint committee on which the authority is represented—

3(a) has made or is about to make a decision which involves or would involve the authority incurring expenditure which is unlawful,

4(b) has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the authority, or

5(c) is about to enter an item of account the entry of which is unlawful.

****S151 of Local Government Act 1972**

every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs

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MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
27 March 2023

Met Audit & Inspection Report

Report by: Interim Chief of Strategy & Transformation

Non-restricted paper

Report Summary

Purpose

This report provides Audit Panel:

- A summary position of DARA and HMICFRS activity and engagement over the last quarter.
- The response to strategic issues highlighted in the Annual Internal Audit.
- In relation to DARA audits, since last quarter's report, the Met has received 5 new actions from a follow-up audit. 4 actions were implemented and are now proposed as closed. The total number of outstanding actions is now 29 (15 High Priority).
- The detail of HMICFRS's new 'Follow-up' level process for their inspections.
- Information on two new inspections and updates from previous inspections.

Key Considerations

The Panel is asked to:

- Note the new monthly reporting process and governance structure that has been introduced to ensure senior oversight of recommendations.

1 Responding to recommendations

1.1. The Internal Audit Annual Report issued in September highlighted 11 strategic and/or underlying issues the Met should address to improve the effectiveness of its internal control environment. Since the report was published, the way in which we manage recommendations and monitor progress has changed significantly.

1.2. As previously reported, recommendations from external sources (including DARA) are now tracked collectively and mapped against projects and programmes to ensure joined-up delivery. These programmes are aligned to the Turnaround Plan.

1.3. Those actions that fall outside the scope of a formal programme of work are delivered through local improvement activity. The most recent Portfolio report showing progress is attached as **Appendix A** (*please note this is **not** publishable*).

1.4. We have also:

- Mapped all recommendations to Turnaround priorities.
- Undertaken an executive redesign of Management Board to define accountabilities, roles and responsibilities aligned to Turnaround priorities.
- Commenced a Governance review to improve processes, and ensure robust governance where required (including defining minimum standards).
- Merged Strategy and Transformation, ensuring future co-ordination and a strategic response to areas of improvement.
- Undertaken our annual Risk Maturity assessment and developed targeted action plans to improve maturity where required.
- Amended the Corporate Risk register to ensure increased focus on, and visibility of, different levels of assurance activity.
- Implemented the Learning Management System to meet training needs.
- Developed a new Performance framework that will help to ensure objectives are linked to performance and the Met is delivering More Trust, Less Crime and Higher Standards.

2 Internal Audit update

2.1. The 2022/23 corporate performance framework contains audit metrics monitored under Pillar 6: ‘Learn from Experience’. Our current Q4 position is:[1]

Implement 90% of high-risk audit recommendations by the deadline (FY 2022/23)

- Q4 2022/23 = 100%. Two recommendations due and delivered in Q4.
- 2022/23 total = 39% (of 26 due, 10 delivered on time).

We have delivered 40 outstanding high-risk recommendations this year, 30 of which were older recommendations beyond their due date. This represents significant progress in addressing the backlog.

[1] *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.*

Increase the percentage of audits rated adequate or above (from 64% baseline)

- Q4 2022/23 = No audits received this quarter. All audits we have received this FY to date have been rated Adequate so we are on track to achieve this target. The final figure will be available at the end of the quarter and will be reported at next Audit Panel.

2.2. We have increased oversight of outstanding recommendations at corporate boards and the frequency of reporting has changed from quarterly to monthly. We now record and request updates for all risks and their associated actions from every formal audit (previously just those from audits graded “Limited” and any high-risk action from other graded audits). This ensures all recommendations relevant to programmes are dealt with collectively through the most appropriate projects and also improve our insight into thematic issues arising.

2.3. Since last reporting, the Director of Learning has met with the Director of DARA to review historic recommendations from 2017/18 (in line with HMICFRS recommendations and Phase 1 of Learning Transformation Programme (P8)) and explore opportunities to consolidate and ensure open recommendations have a clear deliverable-based path to close. DARA have extended this offer to all action leads to ensure that any older outstanding recommendations are still relevant and meet the aims of the Turnaround Plan.

2.4. The MPS Environment & Sustainability Strategy 2023-25 was approved at Environment & Sustainability Board in January, and will be published internally, closing the remaining actions from the Environmental & Sustainability audit.

2.5. The Data Protection Compliance audit has two overdue actions. However, with regard to one of these - which sits with Counter Terrorism – we have made progress on data retention, privacy and protection. Work is needed on a legal framework and national policies, which is why this action remains outstanding.

2.6. Further detail on the progress of DARA actions is contained within the most recent Portfolio report attached as **Appendix A.**

Internal Audits Progressed

2.7. Since last quarter’s report, DARA have progressed four audits (the summary of findings is within, we await the final reports):

- Firearms Licensing Review: Adequate Assurance.
- Commercial Lifecycle Framework Follow Up Review: Adequate Assurance.
- Grey Estate: Limited Assurance.
- BCU Review – broad review and recommendations.

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

Internal Audits – Work in Progress

2.8. The following audits and follow-ups have been marked as either fieldwork, work in progress or at report writing stage. With our new approach to the governance of actions through Transformation Group, it is imperative that attention is given to draft reports to ensure actions are coherent with Turnaround priorities and that actions support key priority areas.

Business Group	Type	Audit name	Senior Lead	Stage
Specialist Operations	Audit	SO18 Aviation Command – Delivery Framework	Matt Jukes	Report Writing
Frontline	Audit	Framework Supporting Implementation of THRIVE+	Louisa Rolfe	Work in Progress
People	Audit	Funding & Governance of MPS Voluntary Official Organisations	Clare Davies	Work in Progress
Strategy & Transformation	Follow Up	Transformation Governance - Project/Programme Management	Michelle Thorp	Work in Progress
Professionalism	Follow Up	STRiDE Implementation Plan (to include Advisory work)	Barbara Gray	Work in Progress
Digital Policing	Audit	Digital Policing Control Environment: • Cloud Security and Management • Application Management and Deployment • Third Party Access	Darren Scates	Work in Progress
Specialist Operations	Follow Up	SO18 Aviation Command – Strategic Planning & Delivery	Matt Jukes	Work in Progress
Strategy & Transformation	Follow Up	Risk Maturity Framework (incl. deep dive of a corporate risk)	Michelle Thorp	Fieldwork
Met Ops	Audit	Taser Use & Control	Matt Twist	Report Writing
Met Ops	Audit	Use of ANPR systems	Matt Twist	Report Writing

2.9. At the time of writing, there were:

- 4 DARA actions closed in the last quarter;
- 29 outstanding DARA actions; and
- 15 rated as High.

3 HMICFRS update

Overview

3.1. We are preparing for the Commissioner’s attendance at the HMICFRS Policing Performance Oversight Group (PPOG) meeting on 13 April 2023.

3.2. Over the last quarter we have ensured that all current Causes of Concern, recommendations and areas for improvement (AFIs) are up to date. HMICFRS has introduced a new system for classifying recommendations and AFIs that allows them to understand and plan for the required follow-up activity. This includes allowing forces to self-report some recommendations and AFIs as completed and therefore closed.

3.3. Levels 1 and 2 can be self-certified and closed with the Commissioner's approval. Level 3 can be self-certified with the Commissioner's approval, but HMICFRS must verify the evidence provided to support closure at the "next appropriate inspection" before they will formally close the record on their Monitoring Portal. Level 4 recommendations can only be closed by HMICFRS after bespoke or full inspection activity.

3.4. HMICFRS has now applied the follow-up levels for all MPS recommendations and AFIs. These are:

Record & Level	Total number of recommendations / AFIs
Recommendation Level 1	0
Recommendation Level 2	12
Recommendations Level 3	20
Recommendations Level 4	22
AFI Level 1	0
AFI Level 2	7
AFI Level 3	20
AFI Level 4	0
GRAND TOTAL	**81**

3.5. We are seeking guidance from HMICFRS as to how long it will be before they close a record. This may be particularly important for the Met, since the public view of the Monitoring Portal (refreshed twice yearly) will state whether a record is open or closed. If it is considered closed by the Met, but shown open on the Monitoring Portal, this could lead to further erosion of public trust and confidence, an increase in FoIA requests and media reports.

3.6. We track all HMICFRS recommendations through the enterprise-wide view of change (EWOC) and report progress against in the Turnaround Plan Portfolio Report for Portfolio and Investment Board (PIB).

Forthcoming inspections

3.7. **PEEL Assessment 2023/24** – the next 12-month continuous assessment will begin in April 2023 and the formal Victim Service Assessment is expected to take place in the autumn.

3.8. **Joint Targeted Area Inspection (JTAI) focused on 'Early Help' (Harrow Borough)** – JTAIs focus on 'front-door' services in a local authority and are always short-notice and led by Ofsted, supported by the Care Quality Commission and HMICFRS. This JTAI will focus on multi-agency arrangements for children and families who need help, in particular targeted early help. It will look at the experiences of children in need (as defined in s.17 Children Act 1989) and the interface between the two. Fieldwork will be from 27-31 March 2023.

3.9. **Child Sexual Abuse - MOPAC Commission (lead AC Louisa Rolfe)**
MOPAC have commissioned HMICFRS to conduct an inspection into child sexual abuse. They are in the early stages of drafting terms of reference and we await agreement as to fieldwork dates.

Previous inspections

3.10. **Joint inspection of youth justice services in Hackney Borough**
30 January – 3 February, led by HMI Probation with HMICFRS involvement. It focused on the police role within the Youth Offending Team. Publication tbc.

3.11. **Homicide Prevention (lead Cmdr Jon Savell)**
A national thematic inspection; the Met was one of eight forces inspected. The inspection methodology examined:
a) *how effectively forces understand the pattern of homicide in their areas, including the underlying causes and risks; and*
b) *how effectively forces contribute to the prevention of homicides, including how they use the homicide prevention framework.*

Fieldwork took place 27 February – 3 March 2023. HMICFRS are now considering the evidence whilst continuing with their inspection in other forces. Publication tbc.

3.12. **Serious and Organised Crime (lead Cmdr Paul Brogden)**
Draft report released on 13 February for pre-publication checks (a factual accuracy check). Publication tbc.

3.13. **Death Investigation – MOPAC Commission (lead Cmdr Jon Savell)**
Pre-publication checks on the draft report completed and returned to HMICFRS for consideration. HMICFRS has a publication window of 19-28 April 2023.

3.14. **Serious Youth Violence (lead Cmdr Paul Brogden)**
Published 8 March. Four recommendations: two for the Home Office and two for police forces. These have been added to our recommendation tracking process.

4 Equality and Diversity Impact

4.1. Any significant work undertaken to implement recommendations will be subject to equality impact assessment.

5 Financial Implications

5.1. No direct financial implications. Any additional financial implications from the findings of audits and inspections will be subject to normal investment processes.

6 Legal Implications

6.1. There are no direct legal implications arising from this report.

7 Risk Implications

7.1. Significant corporate risks are analysed and included in the risk management framework where applicable. No direct health and safety implications.

8 Contact Details

Authors: Tracy Rylance / Rosiân Jones, Strategic Planning & Risk, Strategy & Transformation

MPS-MOPAC JOINT AUDIT PANEL
27 March 2023

Accounting Policies and Key Judgements in Preparing the 2022/23 Statements of Accounts

Report by: MOPAC Chief Finance Officer and MPS Finance Director

<u>Report Summary</u>

Overall Summary of the purpose of the Report
This report updates Audit Panel on proposed changes to the accounting policies and key judgements of MOPAC and CPM for the 2022/23 statements of accounts.

Key Considerations for the Panel
There are no key changes to accounting policies required to comply with the 2022/23 CIPFA Code of Practice.

There are significant future changes resulting from the adoption of *IFRS 16 Leases.* The mandatory adoption of this standard has now been delayed until 1 April 2024.

<u>Recommendations</u>

The Audit Panel is recommended to:

a. Note the changes outlined in this report for current and future years; and
b. Approve the accounting policies for the Group for the 2022/23 production of the statement of accounts outlined in detail in Annex 1 and 2.

1 Supporting Information

Changes to Accounting Policies

1.1. There have been no significant changes to the CIPFA Code of Practice 2022/23 from last year that require revisions to the accounting policies of MOPAC and the CPM to ensure continued compliance with the Code.

1.2. As part of the annual review of the accounting policies, there are two minor changes to the accounting policy in respect of Property, Plant and Equipment (MOPAC 2.8). These are in response to audit findings and concern disclosing that leasehold improvements are valued at depreciated historic cost as a proxy for current value, and updating the useful economic life over which intangible assets are depreciated.

1.3. Proposed accounting policies for MOPAC and the CPM to be applied in 2022/23 are disclosed in Annex 1 and Annex 2.

1.4. These accounting policies have been approved by the CPM and MOPAC CFOs respectively.

Key judgements and accounting estimates

1.5. There is one minor proposed change to accounting judgements. MPS have undertaken a re-design of executive roles, which took effect during February/March 2023. The Code requires that the Income and Expenditure Statement is presented to represent the operating segments (i.e. directorates) of the organisation. However, the impact of the changes are not material to the financial statements, and therefore the Income and Expenditure Statement will continue to be presented to represent the directorates operating through the majority of the year. The impact will be applied prospectively from 2023/24.

Future changes to accounting policies

1.6. IFRS 16 Leases was issued to replace IAS 17, effective for accounting periods commencing after January 2019. It was therefore due to be incorporated into the Code for the 19/20 accounts. CIPFA initially deferred the implementation date until 1 April 2020, a decision driven largely by the desire to ensure there is consistency across the public sector, particularly on issues such as subsequent measurement of leased assets. In response to pressures on finance teams across the Local Government sector as a result of the COVID-19 pandemic, the mandatory implementation of the standard has now been deferred further to 1 April 2024.

1.7. *IFRS 16* removes the previous lease classifications of operating and finance leases for lessees and requires that a right-of-use asset be recognised for all leases, with exemptions for short-term and low value leases. There are no changes to the classifications for lessors. Depreciation and interest will need to be charged to the Surplus or Deficit on provision of services and there will be impacts on the capital financing requirements for leased assets as the cost on recognition will meet the definition of capital expenditure.

1.8. Our initial data gathering exercise has identified in the region of 250 existing property operating leases which may potentially be captured by this standard. We are undertaking a detailed data capturing exercise on these leases in conjunction with colleagues in Property Services Department to assess whether to recognise a right to use asset and liability for these leases. As part of this exercise leases are being grouped into types with similar characteristics to assist judgments required around treatment. Once all the required data has been captured on these operating leases, we can model the impact on budgets and the accounts. The full impact of the adoption of IFRS16 on the MOPAC balance sheet will be disclosed in the 2024/25 Statement of Accounts.

1.9. As part of considering the impacts, we will look at related accounting policies such as our current capitalisation threshold which is relatively low compared to other forces. Our capitalisation threshold is what we will use to assess which leases are considered low value and therefore exempt from IFRS 16 requirements.

2. Equality and Diversity Impact

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

3. Financial Implications

There are no direct financial implications arising from the proposals in this paper.

4. Legal Implications

There are no direct legal implications arising from the report.

5. Risk Implications

There are no risk implications arising from the report.

6. Contact Details

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7. Appendices and Background Papers

Annex 1 – draft MOPAC Accounting Policies 2022/23
Annex 2 – draft CPM Accounting Policies 2022/23

Annex 1: Accounting policies for MOPAC for 2022/23

2.1 General principles

These financial statements have been prepared in accordance with the Code of Practice (the Code) on Local Authority Accounting in the United Kingdom 2022/23 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2015. The accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS).

The Accounts have been prepared on a going concern basis using an historic cost convention, modified to account for the revaluation of certain categories of tangible fixed assets and financial liabilities.

Following the passing of the Police Reform and Social Responsibility Act 2011 the Metropolitan Police Authority (MPA) was replaced on 16 January 2012 with two ‘corporations sole’, the Mayor’s Office for Policing And Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM). Both bodies are required to prepare a separate Statement of Accounts. The Narrative Report which accompanies the Accounts sets out the roles and responsibilities of each in more detail.

The Financial Statements included here represent the accounts for MOPAC and also those for the MOPAC Group, consolidating the financial activities of MOPAC and the CPM. The Financial Statements cover the 12 months to the 31 March 2023 (with prior year as a comparative year). The term ‘Group’ is used to indicate combined transactions and policies of MOPAC and its subsidiary and CPM for the year ended 31 March 2023. The identification of MOPAC as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of MOPAC under the Police Reform and Social Responsibility Act 2011.

The significant accounting policies adopted are set out below.

2.2 Revenue and expenditure recognition

Revenue is recognised in a way that reflects the pattern in which goods and services are transferred to service recipients. It is transferred at an amount that reflects the consideration that the Group expects to be entitled to in exchange for those goods and services. Whilst all expenditure is funded by MOPAC (as the body responsible for maintaining the Police Fund for London) including the wages of police staff and officers, the actual recognition in the respective MOPAC and CPM Accounts is based on which organisation receives the economic benefit from the transactions.

Consideration received in advance is recognised as deferred revenue in the Balance Sheet and released as income is earned. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

2.3 Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligation in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when services are received rather than when payments are made;
- Where income and expenditure has been recognised (using estimates when appropriate) but cash has not been received or paid, a debtor or creditor for the relevant year is recorded in the Balance Sheet;

- Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to CIES for the income that might not be collected.

2.4 Provisions

Provisions are recognised on the Balance Sheet when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. Provisions are charged to the CIES in the year the Group becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not be required, the provision is reversed and credited back to the CIES.

Third party liabilities – to make provision for realistic estimates of the future settlement of third party claims, the liability for which already exists at the date of the Balance Sheet, in so far as they will not be met by external insurance. The figure shown on the Balance Sheet does not include any adjustment to discount the total liability to present day terms in line with IAS 39 Financial Instruments because the claims involved are deemed to be estimates based on present day values.

Police officer pension liability (intra-group) - to make provision to reflect the continuing requirement on an elected local policing body as required under the Police Reform and Social Responsibility Act 2011, to provide funds to the CPM from the Police fund for the payment of police pensions. The intra-group balances will not appear in the Group Accounts.

2.5 Reserves

Reserves consist of two elements: usable and unusable. Usable reserves are those which can be applied to fund expenditure. They are made up of the General Reserves, Earmarked Reserves, Capital Receipts Reserve and the Capital Grants Unapplied Account. Earmarked reserves are established from time to time to meet specific expected revenue or capital costs as determined by MOPAC. Unusable reserves cannot be applied to fund expenditure. They include the Capital Adjustment Account, Pension Reserve, Accumulated Absences Account, Revaluation Reserve and Deferred Capital Receipts Reserve. These accounts do not form part of the cash resources available to the Group.

Reserves are created by appropriating amounts in the CIES. When expenditure to be financed from a reserve is incurred, it is charged to the CIES against the Net Cost of Policing Services. The reserve is then appropriated back in the MIRS so that there is no net charge for the expenditure.

2.6 Government and other organisations' grants and contributions

Whether paid on account, by instalments or in arrears, revenue government grants and third party contributions are recognised as income at the date that the Group satisfies the conditions of entitlement to the grant/contribution.

The grant/contribution is recognised within the CIES as income when the conditions of entitlement are known to be satisfied. If the grant/contribution has been received in advance of need then the amount is transferred to a Grant in Advance Account.

Grants to cover general expenditure (e.g. Police Revenue Grant) are credited to the CIES within the provision of services.

2.7 Employee benefits

Benefits payable during employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits for current employees and these benefits are recognised as an expense in the year in which the employee renders service to the Group.

IAS 19 Employee Benefits requires MOPAC to account for short-term compensating absences (these are periods during which an employee benefits continue to be earned which include time owing for annual leave and rest days) by accruing for the benefits which have accumulated but are untaken by the Balance Sheet date. Short term accumulated absences are recognised in the CPM Accounts in the period in which officers or police staff render the service which entitles them to the benefit, not necessarily when they enjoy the benefit. The cost of leave earned, but not taken by police officers and staff at the end of the financial year is recognised in the financial statements to the extent that the staff are entitled to carry forward leave into the following year. Equivalent liabilities for employee benefits are recognised on the MOPAC Balance Sheet to reflect the continuing requirement on MOPAC to provide funds from the Police Fund to meet these liabilities as they fall due. The Group Balance Sheet also reflects the liability for time owing and annual leave. The accrual for untaken leave is charged to the Net Cost of Policing Services, and reversed out through the MIRS so that the leave is charged to CIES in the financial year in which the holiday absence is earned.

Termination benefits

Termination benefits are amounts payable as a result of a decision to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the CIES at the earlier of when the organisation can no longer withdraw the offer of those benefits and when the organisation recognises the costs for a restructuring.

Post-employment benefits

The Group operates three pension schemes for police officers and a single scheme for police staff. The CPM is the administering body for the Pension Fund. MOPAC provides funds from the Police Fund to meet the pension payments as they fall due.

Police officers

The Police Pension Schemes are contributory occupational pension schemes which are guaranteed and backed by law. A new Career Average Revalued Earnings (CARE) Scheme was introduced on the 1st April 2015, which was a change from the previous Final Salary Schemes. Officers starting after the 1st April 2015 joined the new 2015 Scheme and some members of the 1987 and 2006 Final Salary Schemes moved into the new 2015 Scheme, unless they were covered by the transitional protection arrangements. Members of the new 2015 Scheme make contributions of between 12.44% and 13.78% of pensionable pay. Protected members of the 1987 and 2006 arrangements contributed at rates of between either 14.25% and 15.05% of pensionable pay for the 1987 police pension scheme or 11% and 12.75% for the 2006 police pension scheme. On 1st April 2022, all remaining members in the 1987 and 2006 schemes moved to the 2015 scheme. The employees' contribution rate is set nationally by the Home Office and is subject to triennial revaluation. The employer contribution rate was increased to 31%, for all schemes from 1 April 2019. New financial arrangements were introduced on 1 April 2006 to administer the schemes.

The police pension schemes are defined benefit schemes paid from revenue (without managed pension assets). Following the Code's requirements, IAS 19 has been fully recognised in the Group Accounts. Scheme liabilities as shown on the Group's Balance Sheet are calculated by determining future liabilities for pension payments and applying a discount rate to reduce them to present day values. IAS 19 specifies the use of a discount rate equal to the current rate of return available on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The pension liabilities in these Accounts have been calculated accordingly at a discount rate of 2.0% for all schemes.

Recognition of the total liability has a substantial impact on the net worth of the MOPAC Group. Accrued net pension liabilities are assessed on an actuarial basis. The change in net pension liability is analysed into the following components:

- Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the Group CIES to the services for which the police officers worked;
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Net Cost of Policing Services in the Group CIES;
- Interest on the defined benefit liability - the increase during the period in the defined benefit liability which arises because the benefits are one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Group CIES;

- Re-measurements comprising actuarial gains and losses – changes in the pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited to the Pensions Reserve as Other Comprehensive Income and Expenditure with the exception of actuarial gains and losses in relation to injury benefits, which are debited or credited to the Net Cost of Policing Services in the CIES.

- Contributions paid to the Police Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities, not accounted for as an expense.

The net liability for all the pension schemes is recognised initially on the CPM Balance Sheet in accordance with IAS 19 Employee Benefits. MOPAC provides the sole source of funding to meet the CPM's costs through the budget delegated by MOPAC to the CPM. All CPM liabilities will therefore ultimately be funded by MOPAC. The pension liability is therefore offset by an intra-group adjustment between MOPAC and the CPM to reflect MOPAC's continuing responsibility to provide funds from the Police Fund to enable the CPM to administer pension payments. This has resulted in a liability within MOPAC's Balance Sheet for the Police Pension Schemes.

The legislation however requires the General Reserves balance to be charged with the amount payable by MOPAC to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Reserves of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Police staff

The Group joined the Principal Civil Service Pension Scheme (PCSPS) in 2002/03. The PCSPS is an unfunded defined benefit scheme which operates seven different sub schemes but only one is open to new staff joining MOPAC/CPM, the Alpha Scheme, which is a career average scheme. Additionally, there is a defined contribution alternative. The PCSPS is a multi-employer scheme whereby the underlying assets and liabilities within the Scheme are not broken down and attributed to individual employers, and therefore is defined as a multi-contribution scheme. The appropriate level of disclosure has been followed in accordance with IAS 19.

2.8 Property, plant and equipment

Property, plant and equipment are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. The de minimis level policy is to capitalise all expenditure over £5,000 on an individual asset basis, and projects (or grouped assets) with a total value in excess of £5,000: expenditure on partnership assets is capitalised over £1,000.

Recognition: Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that they yield benefits to the Group and the services they provide are for more than one financial year. Expenditure that secures, but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. Assets under construction are recorded in the Balance Sheet at historical cost.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Assets are carried in the Balance Sheet using the following measurement bases:

- Specialised operational properties – current value, but because of their specialist nature are measured at depreciated replacement cost which is used as an estimate of current value;
- Non-specialised operational properties – current value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV);
- Surplus properties and investment properties – fair value estimated at highest and best use from a market participant's perspective;
- Leasehold improvements – depreciated historic cost as a proxy for current value.
- Vehicles, plant and equipment – In such cases where non property assets have short useful lives or low values (or both), depreciated historic cost is used as a proxy for current value.
- Assets held for sale – lower of current value and fair value less costs to sell

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year end. Property revaluations are based on a rolling review programme. Properties are revalued at 30 September each year; the top 20 properties in value as well as 20% of the assets are physically inspected whilst 80% are revalued on a desktop basis. A further review is carried out at 31 March each year to determine whether the value at 31 March is materially different to the value at 30 September. This approach complies with the CIPFA Code of Practice on Local Authority Accounting 2022/23 requirements on measurement of property plant and equipment.

Component assets: The Group recognises and records component assets separate from the main asset where material. Where a component asset is identified it is written down on a straight line basis over its useful economic life using a depreciated historic cost approach.

Impairment: Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible write down is estimated to be material, the recoverable amount of the asset is determined and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where the loss is determined for a previously revalued asset, it is written off against any revaluation gains held for the relevant asset in the Revaluation Reserve, with any excess charged to the CIES. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals: When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the CIES as part of the gain or loss on disposal. The written off carrying value of the asset is transferred from the General Reserves to the Capital Adjustment Account in the MIRS. Sale proceeds over £10,000 are categorised as capital receipts and are transferred from the General Reserves Balance to the Capital Receipts Reserve in the MIRS.

Depreciation: This is provided for all assets with a useful finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use, on a straight-line basis. Depreciation is charged on a monthly basis.

Principal asset categories and their useful economic lives

Operational Assets	Category	Years
Property	Land	Not depreciated
	Buildings	10 – 50 years
Plant and equipment	Information Technology and communications equipment	3 - 20 years
	Software development	3 - 5 years
	Policing support vehicles including Patrol vehicles	3 - 15 years
Intangible assets	Software licences.	3-8 years
Non-operational assets		
Assets under construction		Not depreciated
Surplus Assets		Depreciated
Assets held for sale		Not depreciated
Investment properties		Not depreciated

Grants and contributions: Grants and contributions relating to capital expenditure shall be recognised in the CIES as income except to the extent that the grant or contribution has a condition that the Group has not satisfied. In that event the amount subject to condition is transferred to the Capital Grants Receipts in Advance account. Where the conditions of the grant/contribution are satisfied, but expenditure for which the grant is given has not yet been incurred, then such sums will be transferred to the Capital Grants Unapplied Reserve.

2.9 Charges to revenue for property, plant and equipment

The Group CIES is charged with the following amounts, to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation gains or losses on investment properties;
- Amortisation of intangible fixed assets attributable to the service.

The Group is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The Minimum Revenue Provision (MRP) is set on a prudent basis as determined by the Group in accordance with statutory guidance.

2.10 Non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of its carrying amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

2.11 Investment properties

These are properties held solely by MOPAC for the purpose of generating rental income or for capital appreciation and are occupied by third parties. These properties are not used in any way to facilitate the delivery of services or held for sale.

Investment properties are measured initially at cost and subsequently at ‘fair value’ (as defined in the Section below). Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Reserves Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Reserves Balance. The gains and losses are therefore reversed out of the General Reserves Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

2.12 Surplus Assets
These are assets that are not being used to deliver services, and do not meet the CIPFA Code of Practice criteria to be classified as either investment properties or non-current assets held for sale.

The valuation at which they are held is based on an estimate of the price that would be received by selling in an orderly transaction between market participants at the valuation date.

2.13 Fair value measurement
The Group measures some of its non-financial assets such as investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Group takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Group's financial statements are categorised within the fair value hierarchy, as follows:

> Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
> Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly:
> Level 3 – unobservable inputs for the asset or liability.

2.14 Leases

All leases are evaluated at inception in accordance with IAS 17 'Leases', to determine whether they are a finance lease or an operating lease. Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. Where a lease is for land and buildings, the land and building components are separated. The land element is usually treated as an operating lease, unless it is for 125 years or more, in which instance the land is deemed to be a finance lease. Where the building element is a finance lease it is depreciated over its lease term. A de minimis of £5,000 is applied to the annual rental of leases to determine their treatment as a finance lease. All major contracts are reviewed under IFRIC 4 to determine whether an arrangement contains an embedded lease.

Finance leases
Property, plant and equipment held under finance leases is initially recognised at the inception of the lease at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges (charged to the CIES) and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the organisation at the end of the lease period).

Operating leases
Leases that do not meet the definition of finance leases are accounted for as operating leases. The Group has a large number of operating leases, mainly in respect of property, but also vehicles. Rentals payable are charged to the CIES.

The Group as lessor
There are a number of short-term operating leases for property where the Group acts as lessor. Where the organisation grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the CIES. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. where there is a premium paid at the commencement of the lease).
There are no finance leases where the Group is a lessor.

2.15 Value Added Tax (VAT)

Income and expenditure excludes any amounts relating to VAT as VAT is remitted to/from the HM Revenue & Customs.

2.16 Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the MOPAC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable. Interest charged to the CIES is the amount payable for the year according to the loan agreement.

2.17 Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. The Group's business model is to hold investments to collect contractual cash flows. The contractual payments of the financial assets of the Group are solely payments of principal and interest – therefore the Group's financial assets are classified as amortised cost.

Financial assets measured at amortised cost are recognised when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then subsequently carried at their amortised cost. Interest and other income received is based on the capital value of the investment multiplied by the effective rate of interest. For most of the loans that MOPAC has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable. Interest is credited to the CIES with the amount receivable for the year defined in the loan agreement. The loans made by MOPAC are short-term investments consisting of fixed term deposits.

The Group recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. Only lifetime losses are recognised for trade receivables held by the Group.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are estimated on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Any gains and losses that arise on the derecognition of an asset are credited or debited to Financing and Investment Income and Expenditure in the CIES.

2.18 Contingent assets and liabilities

The Group recognises material contingent liabilities as either:

- Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation, or
- Present obligations that arise from past events but are not recognised because;
  a) it is not probable that outflows of resources embodying economic benefits or service potential will be required to settle the obligations, or
  b) the amount of the obligations cannot be measured with sufficient reliability.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, disclosed in a note unless the possibility of a transfer of economic benefits or service potential in settlement is remote (in which case no action is needed).

The Group may also disclose a contingent asset as 'a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation'.

2.19 Private Finance Initiative

MOPAC has two long term contractual agreements under PFI whereby the contractor is responsible for the design, construction, finance and maintenance of four police stations in south-east London (Police Stations PFI) and a public order and firearms training centre (Training Ground PFI). These contracts are deemed to be under the control of MOPAC and as such the accounting treatment has been to include them on the Balance Sheet in accordance with the Code.

In addition to the assets created for the PFI buildings on the Balance Sheet, long term liability accounts are also disclosed on the Balance Sheet to reflect future payments to the contractor. Payments made by MOPAC under contract are charged in part to revenue to reflect the value of services received and cost of financing and in part to the Balance Sheet, to reflect repayment of the outstanding liability over the remaining period of the lease agreement.

2.20 Cash and cash equivalents

Cash is cash in hand and deposits with MOPAC's main banker and a number of other banks. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.21 Events after the reporting period

When an event occurs after the Balance Sheet date which provides evidence of conditions that existed at the Balance Sheet date an adjusting event occurs and the amounts recognised in the Statement of Accounts will be adjusted to take into account any values that reflect the adjusting event. Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but disclosed as a separate note to the Accounts. Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue.

2.22 Overhead costs

The costs of overheads and support services are charged to service segments within the Group CIES in accordance with the Group's arrangements for accountability and financial performance. In practice this means support costs other than Corporate and Democratic Core (CDC) are recognised in the intra-group funding - policing line of the MOPAC CIES on the basis that all services to which support costs are allocated were delivered by the CPM in 2022/23.

2.23 Prior period adjustments, changes in accounting policies, estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the organisation's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy has always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Annex 2: Accounting policies for CPM for 2022/23

2.1 General principles

These financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) 2022/23 and the Accounts and Audit [England] Regulations 2015. The accounting policies apply EU adopted International Financial Reporting Standards (IFRS) as amended by International Public Sector Reporting Standards (IPSAS) for the public sector.

The Accounts have been prepared on a going concern basis using an historic cost convention, modified to account for the revaluation of the long term asset and the pension liabilities.

The accounting policies below also reflect the powers and responsibilities of the Commissioner of Police of the Metropolis (CPM) as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2013. The accounting policies defined here are consistent with local regulations, local agreement and practice as well as the MOPAC Group policies.
The Accounts cover the 12 months to 31 March 2023.

2.2 Cost and intra-group income recognition

All external income is received by MOPAC, which holds the Police Fund for London and all related financial reserves and cash balances. MOPAC provides an annual budget to the CPM. All resources consumed at the request of the Commissioner are funded by MOPAC, including the wages of police staff and officers, and no actual cash transactions or events take place between the two entities. From an accounting perspective costs are recognised within the CPM Accounts to reflect the financial resources consumed at the request of the CPM and the economic benefit and service potential this brings about. For instance, an economic benefit is recognised to reflect the utilisation of MOPAC owned fixed assets which mirrors depreciation of property, plant and equipment (amortisation in respect of intangible assets), and impairment from obsolescence or physical damage. Income is recognised in the Comprehensive Income and Expenditure Statement of the CPM Accounts, to reflect the funding by MOPAC for expenditure incurred by the CPM.

2.3 Accruals of income and expenditure

Activity is accounted for in the year it takes place, not simply when cash payments are made. In particular:

- Intra-group income is recognised when it is probable that the associated economic benefit or service potential will flow to the CPM;
- Supplies are recorded as expenditure when they are consumed;

- Expenses relating to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Short term compensated absences - these are periods during which an employee does not provide services to the employer, but employee benefits continue to be earned (such as periods of annual leave and rest days). Short term accumulated absences are recognised in the Comprehensive Income and Expenditure Statement in the period in which officers or police staff render the service which entitles them to the benefit, not necessarily when they enjoy the benefit. An accrual to reflect the cost of leave earned, but not taken by police officers and staff at the end of the financial year recognised on the CPM Balance Sheet, is offset by an intra-group debtor to reflect the responsibility placed on MOPAC to provide funds from the Police Fund to meet this liability.

2.4 Provisions

Provisions are made where an event has taken place that gives an obligation where it is probable that settlement by a transfer of economic benefits will be required and where the amount of the obligation can be estimated reliably, but where the timing of the transfer is uncertain. Under the MOPAC/CPM Financial Regulations, the revenue charge for provisions recognised on the MOPAC Balance Sheet is recognised in the CIES of the CPM. Estimated provisions are reviewed at the end of each financial year. Where it is likely that a provision will not be required, the relevant amount is reversed in the CIES of CPM.

2.5 Employee benefits

Benefits payable during employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. The financial consequences of these benefits are recognised in the CPM CIES in the year in which the employee renders service to the CPM. IAS 19 Employee Benefits requires CPM to account for short-term compensating absences (these are periods during which an employee benefits continue to be earned which include time owing for annual leave and rest days), by accruing for the benefits which have accumulated but are untaken by the Balance Sheet date.

Termination benefits
Termination benefits are amounts payable as a result of a decision to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are recognised in the CIES of the CPM at the earlier of when the organisation can no longer withdraw the offer of those benefits or when the organisation recognises the costs for a restructuring.

Post-employment benefits
There are three pension schemes for police officers and a single scheme for police staff.

Police officers

The Police Pension Schemes are contributory occupational pension schemes which are guaranteed and backed by law. A new Career Average Revalued Earnings (CARE) Scheme was introduced on the 1st April 2015, which was a change from the previous Final Salary Schemes. Officers starting after the 1st April 2015 joined the new 2015 Scheme and some members of the 1987 and 2006 Final Salary Schemes moved into the new 2015 Scheme, unless they were covered by the transitional protection arrangements. Members of the new 2015 Scheme make contributions of between 12.44% and 13.78% of pensionable pay. Protected members of the 1987 and 2006 arrangements contributed at rates of between either 14.25% and 15.05% of pensionable pay for the 1987 police pension scheme or 11% and 12.75% for the 2006 police pension scheme. On 1st April 2022, all remaining members in the 1987 and 2006 schemes moved to the 2015 scheme. The employees' contribution rate is set nationally by the Home Office and is subject to triennial revaluation. The employer contribution rate was increased to 31%, for all schemes from 1 April 2019. New financial arrangements were introduced on 1 April 2006 to administer the schemes.

The Police Pension schemes are defined benefit schemes paid from revenue (without managed pension assets). The liability for the Pension Schemes is recognised initially on the CPM Balance Sheet in accordance with IAS 19 Employee Benefits. All liabilities are ultimately the responsibility of MOPAC as MOPAC provides the sole source of funding to meet the CPM's costs, so at year end the pension liability for police pensions is offset by an intra-group debtor, reflecting MOPAC's continuing responsibility to provide funds from the Police Fund to enable the CPM to administer pension payments.

Recognition of the total liability has a substantial impact on the net worth of the CPM and by virtue of the funding arrangement the net worth of MOPAC. Accrued net pension liabilities are assessed on an actuarial basis. The change in net pension liability can be broken down into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the CPM Comprehensive Income and Expenditure Statement to the services for which the police officers worked;
- Past service cost – the increase in liabilities arising as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement;
- Interest on the defined benefit liability – the increase during the period in the defined benefit liability which arises because the benefits are one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Re-measurements comprising of actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited to the Pensions Reserve with the exception of actuarial gains and losses in relation to injury benefits, which are debited or credited to the Net Cost of Policing Services in the CIES.

Transfers into and out of the Scheme representing joining and leaving police officers, are recorded on a cash basis in the Pension Fund, because of the length of time taken to finalise the sums involved.

Police staff

The CPM joined the Principal Civil Service Pension Scheme (PCSPS) in 2002/03. The PCSPS is an unfunded defined benefit scheme which operates seven different sub schemes but only one is open to new staff joining MOPAC/CPM, the Alpha Scheme, which is a career average scheme, Additionally, there is a defined contribution alternative. The PCSPS is a multi-employer scheme whereby the underlying assets and liabilities within the Scheme are not broken down and attributed to individual employers, and therefore is defined as a multi-contribution scheme. The appropriate level of disclosure has been followed in accordance with IAS 19.

2.6 Value Added Tax (VAT)

The CPM does not submit a VAT return and MOPAC submits a single VAT return on behalf of the MOPAC Group. Expenditure in the CPM CIES excludes any amounts relating to VAT as all VAT is remitted to/from the HM Revenue & Customs.

2.7 Contingent assets and liabilities

The CPM recognises material contingent liabilities as either:

- Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation, or
- Present obligations that arise from past events but are not recognised because;
  a) it is not probable that outflows of resources embodying economic benefits or service potential will be required to settle the obligations, or

b) the amount of the obligations cannot be measured with sufficient reliability.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, disclosed in a note unless the possibility of a transfer of economic benefits or service potential in settlement is remote (in which case no action is needed).

The CPM may also recognise contingent assets as 'a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation'.

2.8 Events after the reporting period

When an event occurs after the Balance Sheet date which provides evidence of conditions that existed at the Balance Sheet date an adjusting event occurs and the amounts recognised in the Statement of Accounts will be adjusted to take into account any values that reflect the adjusting event. Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the date, the amounts recognised in the Statement of Accounts are not adjusted but disclosed as a separate note to the Accounts. Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue.

2.9 Overhead costs

The costs of overheads and support services are charged to service segments within the CPM CIES in accordance with the CPM's arrangements for accountability and financial performance. Support service costs identified as Corporate and Democratic Core costs are not charged to service segments within the CPM CIES.

2.10 Prior period adjustments, changes in accounting policies, estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the organisation's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy has always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.