MPS-MOPAC JOINT AUDIT PANEL
Monday, 21 October 2024, 14:00

New Scotland Yard – Room 8.1

Membership
Jayne Scott (Chair)
Sam des Forges
Jon Hayes
Ros Parker
Marta Phillips

Attendees

MOPAC
Darren Mepham, Chief Executive Officer
Amana Humayun, Chief Finance Officer and Director of Corporate Services
Kenny Bowie, Director of Strategy and MPS Oversight
Lisa Kitto, Finance Advisor

MPS
Adrian Scott, Chief Officer Strategy and Transformation
Dan Worsley, Chief Officer Finance
Paul Oliffe, Director of Financial Accounting and Operations
Marie Heracleous, Interim Chief People & Resources Officer
Melanie Williams, Deputy Director of Performance and Assurance
James Hunter, Head of Strategic Planning and Risk

Audit Representatives
External Audit Grant Thornton – Mark Stocks, Parris Williams, Jasmine Kemp, Lucy Nutley - tbc
Internal Audit – Julie Norgrove, Head of Internal Audit MOPAC and MPS; David Esling; Lindsey Heaphy

Business to be considered

The next meeting of the Audit Panel is scheduled to be held on 20 January 2025

MPS-MOPAC JOINT AUDIT PANEL

15 July 2024

Record of the Meeting

PRESENT

Panel:
Jayne Scott – Audit Panel Chair
Sam des Forges – Member
Jon Hayes – Member
Marta Phillips – Member

MPS:
Clare Davies, Chief People and Resources Officer
Dan Worsley, Chief Finance Officer
Vicki Palazon, Interim Finance Consultant
Anthony Green, Director of Strategy
James Hunter, Head of Strategic Planning and Risk
Paul Oliffe, Director of Financial Accounting and Operations
Michelle Thorp, Director, Transformation (Item 4)
Pippa Mills, Assistant Commissioner Professionalism (Item 5)

MOPAC:
Darren Mepham, Chief Executive Officer
Amana Humayun, Chief Finance Officer and Director of Corporate Services
Kenny Bowie, Director of Strategy and MPS Oversight
Lisa Kitto, Finance Adviser
James Bottomley, Head of Oversight and Performance

Audit Representatives:
Julie Norgrove, Head of Internal Audit for MPS and MOPAC
Mark Stocks, Grant Thornton, External Audit
Jasmine Kemp, Grant Thornton, External Audit
Lucy Nutley, Grant Thornton, External Audit

1. APOLOGIES FOR ABSENCE, INTRODUCTIONS AND DECLARATIONS OF INTERESTS

1.1 Apologies were noted from Audit Panel member Ros Parker; MPS attendees DAC Alexis Boon and Adrian Scott; and Internal Audit attendees David Esling and Lindsey Heaphy.

1.2 The Chair advised that meetings had been held with the following people in the last quarter:

- MPS's Chief People and Resources Officer, Chief Strategy and Transformation Officer and Director of Transformation.
- The External Auditor and the MPS.
- Commissioner, Deputy Commissioner, MPS and MOPAC
- Director of Audit, Risk and Assurance, Internal Audit
- The Deputy Mayor for Policing and Crime and the new MOPAC CEO.

1.3 The Panel also held a meeting to review its effectiveness.

2. RECORD OF MEETINGS HELD ON 19 and 29 APRIL 2024

2.1 The record of the meetings held on 19 and 29 April 2024 were agreed. The completed actions were noted.

3. A. BUDGET GOVERNANCE AND INTERNAL CONTROL FRAMEWORK

3.1 Amana Humayun provided the latest in-year position and progress in achieving the savings required. The Panel was advised that the MPS understood the importance of delivering all of the savings and the impact non-delivery would have on the budgets of future years. Completion of the quarter 1 review was critical for determining whether any further controls were required.

3.2 Dan Worsley advised that the MPS was closely monitoring the budget risk and had identified mitigating measures. More work was required on the robustness of the forecasting and identifying the opportunity cost of optimistic forecasting. The MPS was building a culture of accountability for budgets.

3.3 The Panel noted that the paper for this item clearly set out the issues and, noting the pay modelling work, asked about strategic workforce planning. Clare Davies advised that strategic workforce planning would be considered by the MPS Management Board in September.

3.4 There was a discussion on the finance systems needing to ensure the required data was available to support financial management. The Panel was advised that while some gaps in capability and capacity had been identified, the MPS has confidence that it had what was required to build the new finance strategy.

3.5 Mark Stocks noted that the MPS needed to make significant levels of savings in 2025/26 to address the considerable budget gap and balance the budget, which would impact on what it would be able to deliver. Clearly articulating the reasons for the choices it made on what it was able to deliver would be important.

Resolved: The Joint Audit Panel noted:

- The progress and that significant financial challenges remained.
- That the MPS and MOPAC would continue to report to the Panel's quarterly meetings as work continued to develop toward delivering the identified savings for a balanced budget in 2024/25 and the work progressed toward business planning for 2025/26.

B. VALUE FOR MONEY RECOMMENDATIONS – UPDATE ON RESPONSES

3.6 There was a discission of the paper from MOPAC and the MPS which updated on the management responses to the recommendations in the External Audit 2022/23 Value for Money audit.

3.7 Paul Oliffe advised that good progress was being made and that a number of recommendations were long term. Clare Davies advised that the MPS had a plan which set out interim milestones towards achieving the longer-term recommendations.

Resolved: The Joint Audit Panel noted the progress on implementing the recommendations from the 2022/23 Value for Money audit.

4. A NEW MET FOR LONDON AND TRANSFORMATION UPDATE

4.1 Michelle Thorp introduced the paper which provided an update on activity undertaken by the MPS to improve confidence in delivery of the New Met for London (NMfL) portfolio and to address the current budget challenge.

4.2 The Panel was provided with an overview of the options under consideration by the MPS to address the impact of the budget constraints on the implementation of the NMfL. Priority was being given to the NMfL commitments which aligned with the milestones agreed with HMICFRS as critical to exit from the Engage process. The Panel asked if the MPS could share with them the paper that the Board would be considering, once it had been agreed at Board.

Action 1: The MPS to share with the Joint Panel the paper for Board proposing the re-sequencing and prioritisation, once agreed by the Board.

Resolved: The Joint Audit Panel:

- Noted the work underway to deliver a simplified, re-prioritised and re-sequenced portfolio in light of the budget challenge it faced.
- Noted the sequencing approach as recommended by MPS ExCo.

5. MPS CULTURE, DIVERSITY AND INCLUSION PLAN – GOVERNANCE AND DELIVERY FRAMEWORK

5.1 Assistant Commissioner Pippa Mills introduced the paper which provided a summary of the key activities in Culture, Diversity and Inclusion (CD&I) across the last year, a summary of the key risks and how success was measured. The Panel was advised that a new CD&I directorate had been established within the professionalism business group. It was tasked with improving culture, diversity and inclusion across the MPS, in support of the New Met for London. Responsibility for culture change was across the MPS – the directorate was established to support this.

5.2 A baseline audit had been completed to provide an overview of ground-up CD&I programmes, which were assessed in a stop, start and continue exercise. Going forward, a key focus would be on values, with a New Met for London training package for all new appointees which had values as a key component. Demonstration of values was now part of performance reviews and therefore would be a factor in an individual's progression.

5.3 Data was being collected and analytical capability in CD&I was being built to enable success in changing MPS culture to be measured. The Panel was interested to have more detail on how success was demonstrated. AC Mills offered to provide for a future meeting a paper on the performance framework and how it is being rolled-out across the organisation.

5.4 There was a discussion of the London Race Action Plan and its focus on improving policing for Black people, which mirrored national objectives.

Action 2: The MPS to provide a paper for a future meeting on the CD&I performance framework and how it was rolled-out across the organisation. AC Mills to advise the best timing for this report.

Resolved: The Joint Audit Panel noted the report.

6. MPS ANNUAL GOVERNANCE STATEMENT AND GOVERNANCE IMPROVEMENT PLAN

6.1 James Hunter introduced the paper which provided an update on the MPS's progress in addressing internal audit recommendations and an update on work to revise the Effective Control Action Plan (ECAP). The paper also included the MPS's draft Annual Governance Statement (AGS).

6.2 The Panel was advised that the ECAP provided a more focussed approach to how strategic issues were addressed by the MPS, bringing together actions to enable a more wholistic view and definitive plan to improve the internal control environment of the Met.

6.3 The Chair noted that it was important for the Panel to see progress and review effectiveness of performance against ECAP. This would be done in liaison with the work of the MPS's Audit, Risk and Assurance Committee (ARAC).

6.4 There was a discussion of the draft AGS with the Panel noting that, as a public facing document, it could be more succinct and more fully articulate the MPS's challenges. It would benefit from having a clear statement of the effectiveness of the governance arrangements in place, a summary of what had been achieved and what was still to be addressed.

Action 3: The MPS to amend its draft AGS to reflect the comments provided by the Panel.

Resolved: The Joint Audit Panel:

- Noted continue progress to address outstanding internal audit recommendations.
- Noted the ECAP and next steps to articulate milestones, timescales and priority of the actions identified in it.
- Reviewed the draft AGS, prior to its finalisation.

7. MOPAC ANNUAL GOVERNANCE STATEMENT AND GOVERNANCE IMPROVEMENT PLAN

7.1 James Bottomley introduced the paper which contained MOPAC's draft 2023/24 AGS and provided an overview of MOPAC's approach to governance and key areas of improvement. As well as the issues in the paper, flagged to the Panel were:

- MOPAC's focus on the financial framework and oversight.
- The establishment of the London Policing Board, with a work programme which focussed on cross cutting issues such as governance.
- The development of the new Police and Crime Plan, which would have some impact on governance.
- Twelve new actions arising from the AGS which had been integrated into the Governance Improvement Plan (GIP).

7.2 The Panel noted that as a public facing document it could benefit from being shorter, with more focus on the evaluation of the governance in place for 2023/24, alongside the focus for the coming year.

Action 4: MOPAC to amend its draft AGS to reflect the comments provided by the Panel.

Resolved: The Joint Audit Panel:

- Noted the draft AGS for 2023/24
- Noted the improvements intended in MOPAC governance through the Governance Improvement Plan.

8. MOPAC AND MPS DRAFT INTERNAL AUDIT ANNUAL REPORT 2023/24

8.1 Julie Norgrove introduced the Internal Audit Annual Report for 2023/24 for MOPAC and the MPS. The report contained the annual opinion on the effectiveness of the respective internal control environments concluding that:

- *'MOPAC has an adequate internal control environment supporting achievement of its strategic objectives, which generally operated effectively'. Noting, 'Fully embedding the revised oversight arrangements is key to addressing the significant financial challenge and driving further progress in meeting agreed policing priorities and objectives'.*
- *'The MPS internal control environment is limited in its effectiveness in supporting the achievement of strategic objectives'. Noting, 'Some progress has been made and a definitive plan to improve effectiveness is now in place. This is to establish a more mature and cohesive environment, key to determining, co-ordinating and monitoring achievement of agreed strategic priorities'.*

8.2 Julie Norgrove noted that the report set out the context for the opinions, the progress that had been made and a recognition of the challenges. MOPAC had undertaken considerable work to establish the London Policing Board and support its work. The revised oversight arrangements would be evaluated in September 2024. The importance of having clarity of the interdependencies between MOPAC and the MPS was noted. The MPS's Action Plan for improving the effectiveness of its internal control environment, which was discussed earlier in the meeting, was a significant development – clarity on what was achievable was key, with milestones for the year. The prioritisation exercise being undertaken in the Met was critical in terms of addressing the significant budget challenge and capacity and capability issues, which remain.

8.3 There was a discussion of the MPS's approach to improving the adequacy and effectiveness of its internal control environment and moving on from 'limited' in its effectiveness, which is of concern. The MPS noted that, given the limited capacity, it was focussing on the themes in the issues that arose from external scrutiny and identifying the most important ones to initially deliver, recognising it was on a journey to improve effectiveness.

8.4 The Panel advised that the MPS needed to make a realistic assessment of what was achievable in one year, mapping the journey and evidencing any improvement made. It requested that the MPS provide for the Panel's October meeting an assessment against the governance improvement plan of what was achievable and the anticipated impact for the coming year.

8.5 The Panel thanked Julie Norgrove for the report and the work of her team. In response to the Chair, Julie Norgrove advised the Panel that she was confident that the reviews Internal Audit had undertaken, together with its advisory work provided the evidence to support the opinions.

Action 5: The MPS to provide to the Panel's October meeting an assessment of progress to date against its Effective Controls Action Plan (ECAP), and what is achievable with critical milestones for the coming year and longer term planned improvements.

Resolved: The Joint Audit Panel considered the draft Internal Audit Annual Report of the Director of Audit, Risk and Assurance and noted the annual opinion on the adequacy and effectiveness of the MOPAC and MPS internal control environments.

9. MOPAC AND MPS INTERNAL AUDIT PLAN 2024/25

9.1 Julie Norgrove introduced the paper setting out the proposed MOPAC and MPS Internal Audit Plan for 2024/25, advising that both organisations had been consulted and that the plan aligned to corporate objectives and key risks.

9.2 The MOPAC plan included reviewing oversight arrangements, commissioning activity and key enabling functions in support of the PCP, as well as advisory work on business planning framework and HR policies. The MPS plan includes requests made by Management Board and would review financial and key operational areas, the new performance management framework, data quality and the decision-making framework. It would continue to support the cultural reform and provide real time advice.

9.3 The Panel noted that DARA was carrying out an advisory review of the MPS payroll assurance framework rather than undertaking a formal review. Julie Norgrove explained that DARA had been helping the MPS to develop a wider finance assurance framework and it would be assessing the effectiveness of this area while providing the advice.

9.4 Julie Norgrove gave the Panel assurance that DARA had the capacity to deliver the Internal Audit Plan.

Resolved: The Joint Audit Panel approved the 2024/25 Internal Audit Plan for MOPAC and the MPS.

10. MPS AUDIT AND INSPECTION REPORT

10.1 James Hunter introduced the report which provided an overview of the inspection activity taking place within the MPS and an update on the HMICFRS PEEL (Police Efficiency, Effectiveness, Legitimacy) Assessment.

10.2 The Panel was advised that the PEEL Assessment had identified five broad areas which broadly aligned to those the MPS had already identified as needing improvement and was already taking action on:

- Progress with transformation
- Resourcing
- Public protection
- Neighbourhood policing
- Assessing vulnerability at first point of contact

10.3 It was expected that the HMICFRS would publish its report in July 2024.

Resolved: The Joint Audit Panel:

- Noted the high-level findings from the PEEL 2023/24 'hot debrief'.
- Noted the current position of HMICFRS recommendations, including the closure of two recommendations from PEEL 2021/22 under the Cause of Concern "The force needs to improve how it answers calls for service and how it identifies vulnerability at the first point of contact".

11. EXTERNAL AUDIT UPDATE

11.1 Jasmine Kemp introduced the External Auditor's paper which provided a summary of the auditor's progress in completing the statutory audits of the MOPAC and MPS financial statements for 2023/24 and the review of the MPS Value for Money Arrangements. The Panel was advised that there were no matters arising that needed to be brought to the Panel's attention. Grant Thornton would complete the audit and give its opinion on the Statement of Accounts and issue the audit findings report by 30 September 2024.

11.2 Mark Stocks advised the Panel of the areas the auditors would focus on as part of its Value for Money review. This included delivery of the 2024/25 budget, management of IT projects, the plan for neighbourhood policing and how it interacted with capital, governance of the implementation of the New Met for London and how it was being delivered within the funding constraints, how the changes being made at the top of the organisation were flowing down into the Basic Command Units (BCUs).

11.3 Mark Stocks also advised that Grant Thornton would be undertaking significant reviews in support of that report and may therefore not meet the statutory deadlines for providing the Value for Money report.

Resolved: The Joint Audit Panel noted Grant Thornton's External Audit update report.

12. MPS RISK MANAGEMENT REPORT

12.1 James Hunter introduced the MPS's Risk Management Report, which provided a summary of the MPS's risk profile and risk and issues register, an overview of discussions held at the MPS's Audit and Risk Assurance Committee (ARAC) June meeting and a summary of some of the key points from the first risks to have received a deep dive.

12.2 The Panel was advised that there had been improvement in risk reporting and a risk maturity exercise was being completed, but that more capability was required. The process was being used to escalate risk.

12.3 In discussion, the Panel commented that:

- the information on risk and issue management was clearly and succinctly set out;
- the risks targets were ambitious;
- the report would benefit from providing assurance of the actions for moving the risks to give a sense of the timings and trajectory;
- it was difficult to assess the effectiveness of mitigation without understanding the definition of risk appetite.

12.4 The Met noted the points made that would be addressed in increasing maturity.

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

13. JOINT AUDIT PANEL REVIEW OF EFFECTIVENESS

13.1 The Audit Panel Chair introduced the report and thanked those who had provided feedback to the Panel as part of the Panel's review of its effectiveness. The Panel had taken those views into account when it reviewed what was working well and where improvements could be made. It had also assessed itself against best practice guidelines.

13.2 The Chair outlined the key areas where the Panel's ways of working could be changed to strengthen its effectiveness and advised that they would develop these proposals further and submit a more detailed report to the October meeting.

Action 6: Chair of the Audit Panel would provide a paper to the October meeting with proposals for further strengthening the Panel's effectiveness.

Resolved: The Joint Audit Panel noted the report and discussed the recommendations to further improve its effectiveness.

14. DRAFT STATEMENT OF ACCOUNTS 2023/24 – MOPAC AND MOPAC GROUP

14.1 It was agreed that a separate meeting would be convened with the MOPAC and MPS finance leads to discuss the draft statement of accounts in detail.

15. TREASURY MANAGEMENT STRATEGY 2024/25

Resolved: The Joint Audit Panel noted the 2024/25 Treasury Management Statement.

16. MPS WRITE-OFF OF IRRECOVERABLE DEBTS 2024

Resolved: The Joint Audit Panel noted the level of proposed write-off of irrecoverable debts and legacy migration.

The next meeting is scheduled for 21 October 2024

Ref	Actions	Status
1	The MPS to share with the Joint Panel the paper for Board proposing the re-sequencing and prioritisation of NMfL and transformation, once agreed by the Board.	Prioritisation paper will be shared with JAP - paper is not for publication
2	The MPS to provide a paper for a future meeting on the CD&I performance framework and how it was rolled-out across the organisation. AC Mills to advise the best timing for this report.	Item for January meeting.
3	The MPS to amend its draft AGS to reflect the comments provided by the Panel.	James Hunter provided an update.
4	MOPAC to amend its draft AGS to reflect the comments provided by the Panel.	AGS has been amended.
5	The MPS to provide to the Panel's October meeting an assessment of progress to date against its Effective Controls Action Plan (ECAP), and what is achievable with critical milestones for the coming year and longer term planned improvements.	Included in agenda item 6.
6	Chair of the Audit Panel would provide a paper to the October meeting with proposals for further strengthening the Panel's effectiveness.	Agenda item 10.

MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
21 October 2024

Budget Governance and Internal Control Framework Update

Report Summary

The Joint Audit Panel received a report in July 2024 that provided an update on the budget governance and internal control framework that was introduced for the 2024/25 budget. Given the significant financial challenges, it was agreed that updates would be provided to each meeting of the Panel and would include the assessment by the respective Chief Finance Officers of the effectiveness of the controls.

This report provides the Joint Audit Panel with an update on progress, the output from the Q1 review and an update of MOPAC's assessment against the CIPFA Financial Management Code.

Key Considerations for the Panel

The budget position continues to be challenging both for 2024/25 and future years. The Budget and Business Planning Implementation Group established by the MPS has met on a regular basis with updates provided to MOPAC retrospectively after each meeting.

The Quarter 1 review was a key component of the agreed control framework and was recognised in the S25 Statement as a key activity in the early assessment of the financial resilience of the MPS. The Quarter 1 review was completed, and an assessment undertaken.

The business planning process also started over the Summer and a new Strategic Planning Framework was developed by MPS. This was shared with MOPAC at a meeting in the Summer and was to be used as the basis for a prioritisation to drive the resource allocation within MPS and deliver a balanced budget in 2025/26.

Although the financial risks continue to be high, the development of a Strategic Planning Framework was a significant development. This, and other assurances from MPS that other financial mitigations would emerge during the year contributed to the conclusion that the threshold for further intervention had not been reached.

There was however recognition that ongoing monitoring was essential and that updates of the assessment would take place at regular intervals up to the budget submission in November.

MOPAC has undertaken a review of core finance activities against the Financial Management Code and although overall compliant, is progressing with areas of improvement.

Interdependencies/Cross Cutting Issues

The budget impacts on the whole organisation and is a key inter-dependency.

Recommendations

The Audit Panel is recommended to note the progress and that significant financial challenges remain. The Panel is also asked to note the ongoing monitoring of the financial position.

1 QUARTER 1 REVIEW

1.1. MPS committed to a Quarter 1 review which comprised of a number of elements including:

- A review of reserves
- A Quarter 1 monitoring update (including an assessment of the deliverability of efficiency savings)
- An update of the MTFP and the 2025/26 budget

1.2. All aspects of the review were completed and a summary is set out below.

Review of Reserves

1.3. It is recognised that the planned draw down on reserves is significant in 2024/25 and there is concern that reserves in future years are insufficient to manage the financial risks faced by MPS. The opportunity to increase general reserves at the end of 2023/24 was taken and an initial review of reserves at Q1 has identified some earmarked reserves that could be released. Decisions on this are still to be taken and will be done in the context of the wider financial position.

1.4. As previously reported to the Joint Audit Panel, tighter controls over the use of reserves have been introduced which is a welcome development.

2024/25 Q1 Monitoring Position

1.5. The 2024/25 Q1 Monitoring Position is forecasting an overspend of £45m. This could increase to £78m if the increase in London Allowance is made and which no additional funding has been provided. Discussions are ongoing with the Home Office on the Home Secretary's announcement on the London Allowance and the affordability issue associated with this.

1.6. The underlying overspend is largely due to the non-delivery of cross-cutting savings. Mitigations are being put in place to manage the overspend and MPS remain confident that the gap can be closed through in year underspends elsewhere in the budget and potential one-off funding from the Home Office. This additional funding has not yet been confirmed formally and therefore the risk has not been mitigated fully. A summary of the MPS position is set out at Appendix 1.

1.7. MOPAC has developed a financial resilience tracker to consider monthly all the component parts of the budget. The tracker supports an assessment of whether the statutory requirements to deliver a balanced budget and to remain financially resilient and sustainable have been met.

1.8. The output of the Q1 review concluded that the risks remain with an in-year overspend and an increasing gap in 2025/26. The development of the strategic prioritisation framework was a significant development and the output from this needed to be assessed before any further action would be considered. An assessment at Q2 including whether the mitigations for the in-year position have crystallised will be carried out.

2 IMPACT ON 2025/26

2.1 When the 2024/25 budget was set, a budget gap of c£300m for 2025/26 and future years was forecast. Latest estimates indicate that this may have increased to c£450m. More due diligence is required to ensure the increases stand up to scrutiny and that the starting position is ‘real.’

2.2 As previously reported, the prioritisation process is critical in supporting MPS and MOPAC in determining how best to allocate resources and to understand the impact of any changes. MPS has developed a strategic planning framework and this was shared with MOPAC over the Summer. The outcome of the prioritisation process, informed by discussions with Assistant Chief Commissioner/Officer team is in the process of being consolidated and assessed and will underpin the budget submission in November.

2.3 External expertise has also been procured by MPS to support delivery of the efficiency programme and to ensure that the savings required can be identified. The outcome of this work has emerged and is in the process of being assessed for deliverability. This will form part of the budget submission.

A summary of the latest position is set out at Appendix 2.

3 FINANCIAL MANAGEMENT CODE

3.1 The CIPFA Financial Management Code of Practice sets out the principles by which authorities, including PCCs and Police Forces should be guided in managing their finances and the specific standards that they should, as a minimum, achieve. Additionally, the Home Office has published a Financial Management Code for Policing. As with all PCCs and Police forces MOPAC is required to undertake an annual assessment against the code.

MOPAC Self Assessment

3.2 The outcome of the 2023/24 assessment confirmed that MOPAC were broadly compliant but there were areas requiring improvement. An action plan was developed to progress the changes needed. In response MOPAC has:-

- Increased awareness of MOPAC's financial sustainability, publishing a refreshed reserves strategy for 2024/25 and a comprehensive S25 statement alongside the 2024/25 budget.
- Strengthened financial management and control by developing a finance service offer, creating finance repositories to provide accessible up to date finance information for all MOPAC Directorates and putting in place a new cost centre structure.
- Improved the financial literacy in MOPAC through the introduction of get to know finance sessions and finance training for all budget holders.
- Enhanced value for money by providing additional resources to support procurement, increasing scrutiny of decisions through the introduction of the Commercial Assurance Group.

4. Equality and Diversity Impact

There are no quality and diversity implications arising from this report.

5. Financial Implications

There are no direct financial implications arising from this report to the Audit Panel however the role of the Panel in seeking assurances on the budget governance and internal control environment may influence the control framework.

6. Legal Implications

There are no direct legal implications arising from this report.

7. Risk Implications

The risks are set out in the attached documents together with details of the mechanisms in place to manage and mitigate the risks. Updates will be provided to the Audit Panel at every meeting.

8. Contact Details

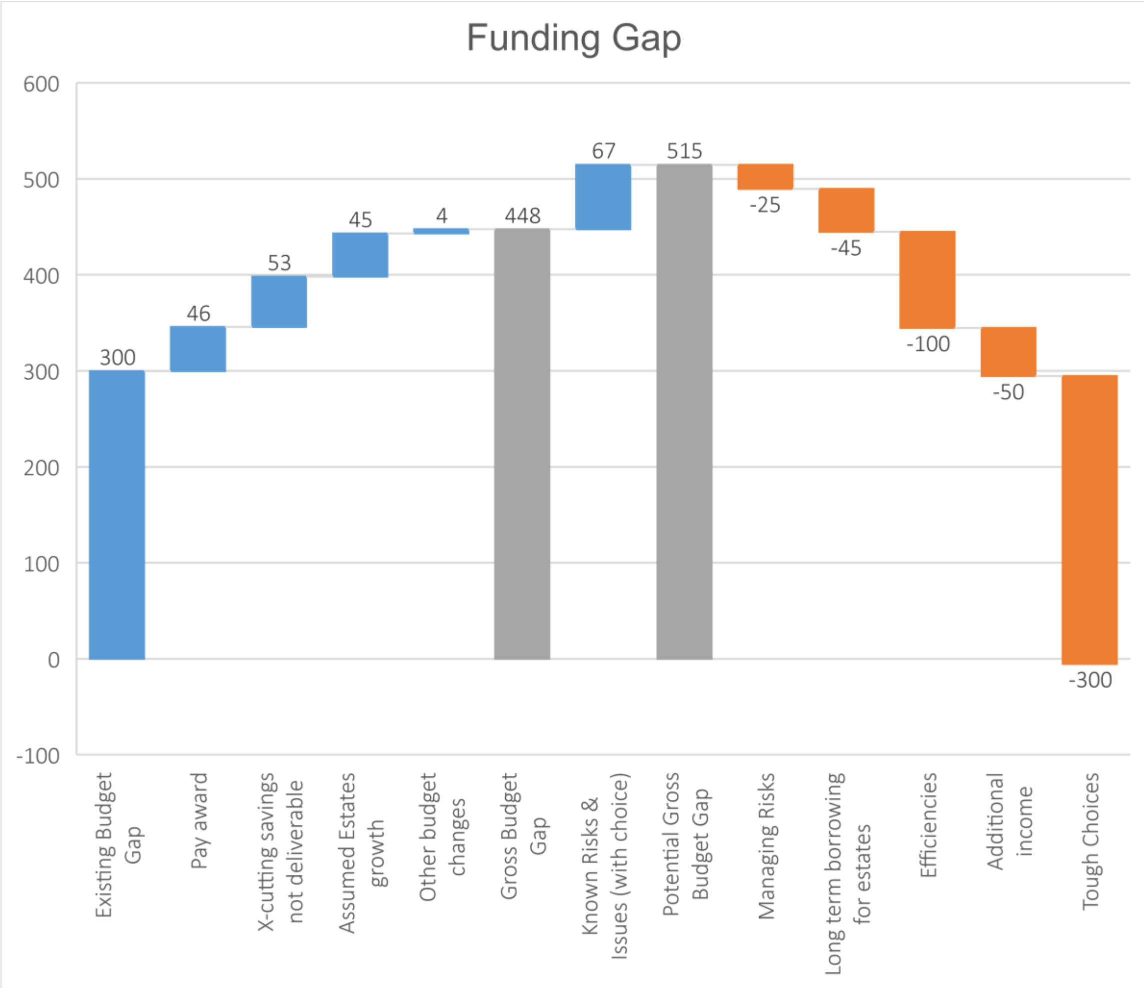
Report authors:

9. Appendices and Background Papers

Summary 2024/25 Position

	Position assuming unfunded discretionary pay award (A)	Position assuming funded discretionary pay award (B)
Forecast Overspend at P4*	**£45m**	**£45m**
Pressures • *Officer pay pressure due to lower attrition in July/August (£4m) and non-discretionary pay award for officers and staff (£5.9m)* • *Discretionary pay award for officers, if **not** funded through additional savings/ funding.*	£10m £23m	£10m
Forecast Overspend after Pressures	£78m	£55m
Mitigations (high and medium confidence) • ***Workforce mitigations:*** *Staff pay forecast reduction due to revised end of year forecast target (£5m)* • ***NMfL:*** *Optimism bias/ capacity to deliver (at least £10m)* • ***Other mitigations***: *Release of contingency, risk and Connect reserve (£13.5m), additional one-off HO funding during PRRB (£10m) and reduction in Op Brocks forecast (£5m)*	£43m	£43m
Forecast overspend after pressures and high/ medium mitigations	£35m	£12m
Mitigations (low confidence) • ***Workforce mitigations:*** *Staff and PCSO pay underspends due to lower range FTE forecast (£7.7m)* • ***Op Brocks:*** *HO funding received for revised estimate (£8.5m)* • ***Staff pension:*** *HO funding increase received from HMT (£10m)*	£26m	£26m
Forecast overspend after all pressures and mitigations	**£9m**	**£14m**

Summary 2025/26 Position



Report to:	**MOPAC / MPS Joint Audit Panel**
Date of the meeting:	21 October 2024
Presented by:	Tara Coles, Transformation Director
Title / Subject:	Transformation Portfolio - Progress Update
Purpose of the paper:	To provide an update on the governance, oversight and progress with the delivery of the transformation portfolio against the New Met for London (NMfL) strategic aims.

Recommendations

The Joint Audit Panel is asked to:

- Note the commencement of the Investment and Portfolio Group (IPG), which provides a single point of oversight of the MPS delivery of the New Met for London (NMfL), and assurance of the organisation's investment decisions in advance of MOPAC level scrutiny (in line with the Scheme of Delegation and Consent)
- Note the progress against the New Met for London strategy and progress against the milestones agreed with HMICFRS for monitoring progress towards exiting Engage status

1. Background/Summary

Governance

1.1 As a result of the governance review by ExCo, the first IPG meeting took place on 23rd September, combining the responsibilities for portfolio oversight, assurance, management, and investment test and challenge previously held by the Transformation Group, Assurance Sub-Committee, and Investment Group (see figure 1 for the updated MPS Governance Model post Sep 24 changes). IPG includes representation from MOPAC and a Non-Executive Director with experience of transformational delivery.

1.2 The purpose of the Investment and Portfolio Group (IPG) is to ensure that the MPS has sufficient rigour, support and oversight in its investment and portfolio (current draft Terms of Reference for IPG are at Appendix 1). It will provide grip and drive improvements to meet the organisation's strategic aims, currently articulated in a New Met for London. It will ensure that investments are affordable, sustainable and offer good management of public money and are in support of the Met's strategic aims and objectives. It introduces a new keyholder review process, utilising subject matter experts from the Strategy, Commercial and Finance functions as well as the Portfolio Management Office, to provide rigorous and robust reviews across each section of the business case. This is in addition to an updated assurance process, where cases are required to be seen by functions across the organisation including HR, Estates, DDaT, Legal, Environmental and others, as well as assessment through the Organisational Design Authority (ODA).

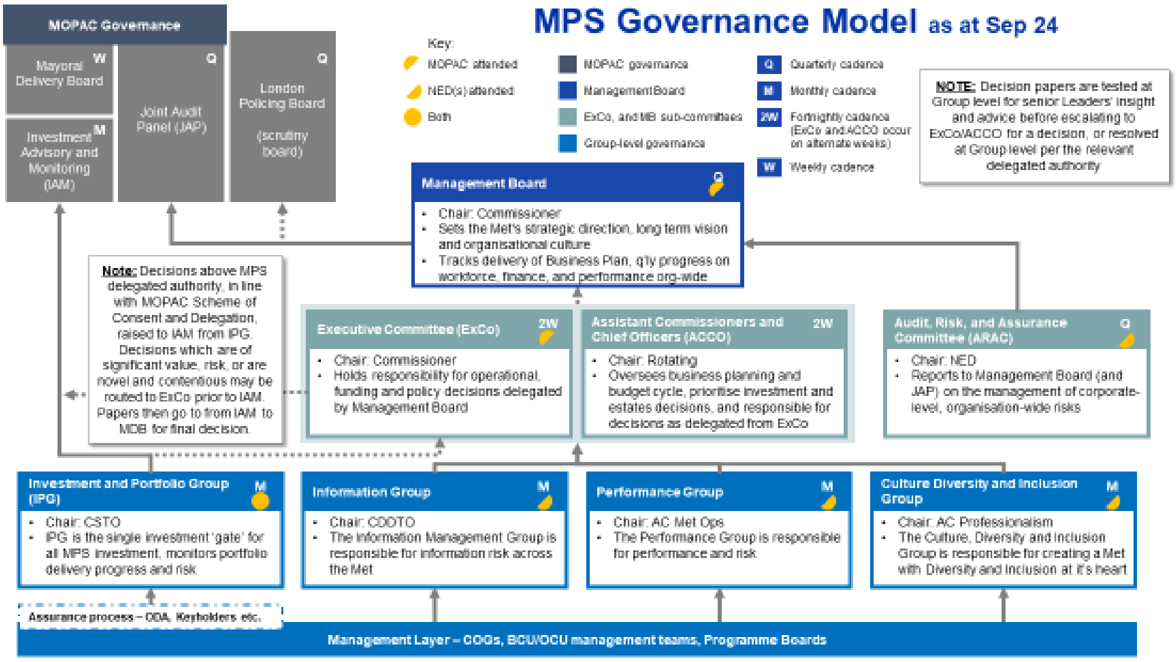


Figure 1 - MPS Governance Model as at Sep 24

Portfolio Delivery Progress Update

1.3 The new Portfolio Report (See Appendix 2) draws together information previously shared at Transformation Group and Assurance Sub-Committee, and reflects the new portfolio of 13 programmes, including an update on Angiolini recommendations.

1.4 There has been a focus on plans and dependencies during September 2024 with all Programme Managers, Senior Responsible Owners and key enablers. This will allow us to have oversight of a single, joined up portfolio plan that will be baselined in October and overseen and managed at IPG.

2. Paper content

2.1. The overall Portfolio delivery confidence remains Amber-Red due to the scale of change being undertaken on NMfL commitments, Engage milestones, and wider programme delivery objectives. There have been notable achievements and good progress against Engage milestones, while more work is underway to develop and build confidence in the overall portfolio schedule for the remainder of the year and beyond. The next steps for planning work from September and associated resourcing decisions will help set the programmes up for success in the coming 18 months.

2.2. SROs and Programmes are reviewing their respective finance information, including actual spend to date and forecasts ahead of a more robust reporting position at Q2. The Portfolio Office and Finance teams are collaborating to review actual spend, accrued costs, commercial commitments, and future spend to provide the necessary assurance on forecasts.

2.3. 64% of New Met for London Sub-Commitments have been delivered (98 of 152), of which 56 (37%) have completed in full whilst 42 (28%) have been achieved, but it is acknowledged that more effort and time is required to achieve the outcomes in full. Alongside portfolio restructure and re-planning, evaluation is taking place to assure that all sub-commitments are deliverable in full under the programme plans being created.

2.4. As part of the plan to exit from Engage status, the MPS agreed with HMICFRS a projected timeline of key milestones against the New Met for London (NMFL) plan. During September's PPOG meeting, the MPS has demonstrated to HMICFRS that it is delivering against the plan, evidencing progress against interim success measures agreed with HMICFRS. Of the 116 milestones due this year, 84 are complete, 22 remain on track, and 10 are experiencing delays. Consistent oversight and reporting in the coming months will identify if/where any specific intervention is needed.

3. Financial information

3.1 Budget allocations are managed separately as part of portfolio management, with programmes then responsible for managing and reporting spend each month (see Portfolio Report attached as Appendix 2).

4. Key risks and metrics

4.1 Risk impact is managed as part of portfolio management and assurance (see Portfolio Report attached as Appendix 2).

4.2 The next priority as the programmes and portfolio builds its maturity will be ensuring outcomes align to the strategic framework and measurable benefits are quantified.

5. Further considerations

5.1 None

6. Conclusion

6.1 The new IPG meeting will provide a more effective and efficient oversight of the MPS change portfolio in line with best practice. This oversight will be increasingly enhanced as the tools and data mature; for example, now that work has been progressed on more detailed plans and dependencies.

6.2 Initial feedback of the report from Members and MOPAC is positive with the MOPAC representative describing it as a valuable tool for briefing the Deputy Mayor.

6.3 The arrangements put in place to test and challenge investment decisions is designed to provide a better framework for assuring business cases ahead of scrutiny by MOPAC. The Portfolio Office will work closely with MOPAC reviewers to continue to use these new arrangements to drive better assurance, proportionate to scope, complexity and risk.

7. Recommendations

7.1 **Note** the commencement of the Investment and Portfolio Group (IPG), which provides a single point of oversight of the MPS delivery of the New Met for London (NMfL), and assurance of the organisation’s investment decisions in advance of MOPAC level scrutiny (in line with the Scheme of Devolved Financial Management).

7.2 **Note** the progress against the New Met for London strategy and progress against the milestones agreed with HMICFRS for monitoring progress towards exiting Engage status.

Approval / Consultation

The Portfolio Report was reviewed and discussed at the IPG meeting on 23 September 2024, chaired by Chief of Strategy and Transformation

Name, job title and contact details of paper author

Tony Spencer, Head of Portfolio Office

Appendix 1 Copy of Draft IPG ToRs – official sensitive

Appendix 2 Copy of September Portfolio Report – official sensitive

MPS-MOPAC JOINT AUDIT PANEL
21 October 2024

MPS Audit and Risk Assurance Report

Report by: Chief Strategy and Transformation Officer

Overall Summary of the Purpose of the Report

To provide the Joint Audit Panel (JAP) with:

- Assurance on the Met's audit and risk management activity in the last quarter.
- A summary of the key discussions at, and decisions made by, the Met's Audit and Risk Assurance Committee (ARAC) on 3 September 2024.

Interdependencies/Cross Cutting Issues

- The entirety of this report captures the interdependencies and relevant cross-cutting controls through the Met's corporate risk and issue register and Effective Controls Action Plan.

Recommendations

The Panel is asked to:

1. Note the audit and risk updates from ARAC.
2. Note and take forward with the MPS the request for advice and support as ANPR plans progress.
3. Note and take forward with the MPS the request for advice and support on Working Time Directive compliance.

AUDIT

1. ARAC noted the Met's **good progress against outstanding audit recommendations and Limited audit reports**:

   - Since the last reporting cycle, with a cut-off in August, the Met did not receive any formal audits. *The Environment and Sustainability Strategy Implementation Framework* audit (Adequate rating), received outside of the reporting period, generated four actions. An update will be provided to the next JAP meeting in January 2025.

   - As of 19 August, the Met had 18 open actions from four audits and three follow-up audits. Of those audits, four were rated Adequate and three rated Limited. There is an agreed plan to ensure all open actions are completed by December 2024.

   - ARAC discussed the progress report for the Limited follow-up audit of the Framework supporting Automatic Number Plate Recognition (ANPR), in particular the strategy for its deployment. It was recognised that a new ANPR is needed, and the Met would welcome JAP's advice as plans in this area develop in the next quarter.

2. **In terms of the Effective Controls Action Plan (ECAP), ARAC agreed the Met should focus its efforts on making progress in three key areas**:

   - *Governance, risk and assurance* – progressing the assurance framework, internal control, and a wider application of risk appetite; increasing risk maturity through targeted assistance.

   - *Managing the scale of cultural and organisational change* – finalising the Culture plan and associated governance framework; clearly defining internal and external communications and engagement plans and testing their effectiveness; designing, delivering and evaluating effectiveness of leadership programmes to achieve cultural change.

   - *Demand* – bringing together existing work to better understand demand; as part of this, reviewing current levels of supervisory capacity and capabilities to address resource gaps.

3. The ECAP is the Met's plan to address the strategic issues that underpin DARA's most recent annual audit opinion for the Met, which resulted in a rating of Limited assurance. By December 2024, we will have engaged with all relevant leads to identify critical milestones for each area within the plan. A full progress update will be provided to the next JAP meeting in January 2025.

4. **ARAC approved the final version of the Met's Annual Governance Statement**, which was amended to take into account feedback from JAP and will be published with the Met's final accounts.

RISK

5. ARAC noted that the **overall effectiveness of the controls the Met has in place to manage its corporate risks and issues is stable**, with four risks and issues reporting an improving trend.

6. There was a **worsening trend for Risk 1b (Victim Care)**. The reason for this was a lack of clarity (at the time of reporting) on where the victim care programme deliverables would sit following prioritisation of the entire transformation portfolio. This is resolved and there is no explicit increase to the risk. The relationship between the risk and the recent Cause of Concern raised in HMICFRS' Police Effectiveness, Efficiency and Legitimacy (PEEL) report was discussed (legislative requirements in particular). Ahead of the next ARAC meeting, the risk will be reviewed to ensure sufficient grip across the organisation.

7. In addition, the PEEL report raised a further **two Causes of Concern in relation to Managing Offenders and Suspects and Online Child Sexual Abuse and Exploitation**. These are intrinsically linked to corporate risks on Managing Offenders and Public Protection. Both risk owners are cognisant of the concerns raised by HMICFRS and the recommendations are being considered to ensure appropriate controls are put in place.

8. ARAC noted the **transfer of Issue ownership for Issue 4b (Critical Technology Reform)**. The Connect programme will transition to business as usual with the service owned by DDaT. The Chief DDaT Officer will chair a Connect Board to oversee progress.

INSPECTION

9. HMICFRS continues to state they have confidence in A New Met for London, it is the right plan, and its delivery will make a difference across the Met and to Londoners.

10. HMICFRS revisited the MOPAC-commissioned **inspection on Child Criminal Exploitation and Child Sexual Exploitation** between 30 September and 18 October. It focused on progress against the three Causes of Concern and 11 recommendations identified during their inspection in September 2023. Whilst there has been considerable effort to progress the recommendations, the Met has concerns about what HMICFRS can reasonably expect to have been completed since the last inspection.

HEALTH, SAFETY AND WELLBEING

11. ARAC agreed to support a drive for adherence to the Working Time Regulations 1998 (WTR) and better understand the challenges in relation to the failure to effectively manage compliance.

12. The **number of officers who have not opted out of the WTR but are working outside of the required hours has reduced** but remains too high and a legal contravention. It was acknowledged that efforts must be made to reduce this further, or officers should be encouraged to opt out. Opting out does not remove the duty of care to officers and working time must still be managed to prevent excessive hours.

13. The WTR dashboard enables local SLTs to easily identify individuals either breaching the 48-hour working limit or those opted out with high average working hours, so they can implement arrangements to manage welfare and hours. WTR compliance is a standing agenda item at B/OCU/departmental quarterly Health and Safety committees to facilitate discussion about local challenges and remedial actions. Business group health and safety risk registers recognise the risks associated with WTR compliance and the links to resourcing models and workforce planning priorities, which may encourage opting out. These risks and associated actions are discussed at Health, Safety and Wellbeing Board.

14. ARAC requested a formal breakdown of staff non-compliant with WTR, with feedback to the Health, Safety and Wellbeing Board on themes, solutions, and risk toleration.

15. ARAC **discussed Fire Safety Management and were assured this risk was being gripped and managed effectively**. It is linked to the Criminal Justice corporate risk and the Met's ability to protect exhibits and critical key infrastructure. A Gold Group was set up to address Fire Safety Management, which has highlighted the need for business continuity planning and a review of other buildings that could benefit from a higher level of property protection or storage solutions and early detection monitoring systems. A risk identification workshop on 9 September, with input from departments across the Met, took place to undertake this review, with the outcomes to be reported back to the Health, Safety and Wellbeing Board.

16. Following an increase in near misses in relation to non-police firearms, the Health, Safety and Wellbeing board will undertake a deep dive into the associated risks.

Equality and Diversity Impact

17. Individual control owners should ensure 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.

Financial Implications

18. It is anticipated the costs associated with the areas of work identified in the corporate risk register will be met from the relevant unit's staff and officer budgets.

Legal Implications

19. There are no direct legal implications from the recommendations in this report.

Risk Implications

20. This paper reflects aspects of the Met's corporate risk report and ECAP, which assist the Met to manage and track risk to achieving its objectives.

Contact Details

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MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
21 October 2024

MOPAC Risk Management Report

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

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Report Summary

Overall Summary of the Purpose of the Report
This paper sets out MOPAC's current approach to risk management and a high-level summary of the corporate risks.

Key Considerations for the Panel
MOPAC has reviewed its risk management framework and sets out its risk appetite statement.

Interdependencies/Cross Cutting Issues
The Baroness Casey review of the MPS is a cross cutting issue that has influenced risk for both organisations.

Recommendations

The Audit Panel is recommended to:

a) Note the progress to the corporate risk register.

Supporting Information

1.1 This paper is a six -monthly update on MOPAC's Risk Management position.

1.2 Since the last Audit Panel, Darren Mepham has joined as Interim Chief Executive.

1.3 A restructure within MOPAC has resulted in the strengthening of the Corporate Services function and a change in line management arrangements of the risk function. Since September 2024, this has transferred to the Chief Finance Officer and Director of Corporate Services. The new structure aligns business planning, risk management and performance management under the leadership of a newly created Head of Business Planning, Risk and Performance. The appointment process for the new post is underway.

Summary of MOPAC's Corporate Risks

1.4 Risk 1 – Resources – VH (likelihood) / H (impact)
MOPAC does not have the right capabilities and capacity to achieve MOPAC's mission, including delivery against statutory functions.

1.5 MOPAC has recently restructured its enabling functions and strengthened capacity within the Corporate Services function. A key driver for the redesign was the need for specialist expertise in MOPAC to support all staff and maximising impact through central delivery rather than in individual directorates, enabling a single way of doing things.

1.6 Where skills gaps were identified, some functions have been strengthened. This includes additional capacity in the data protection and information governance team, IT shared service and business planning.

1.7 The overall risk score for impact has reduced and the score will be reviewed once the new structure has been fully appointed to and is fully embedded. Over the course of the next six months, we would expect to see further improvement.

1.8 In addition, recruitment for vacancies across MOPAC has been managed at pace with developed use of smarter recruitment and use of talent pools to greater effect.

1.9 The Policy and Projects team introduced towards the end of 2023, to enable a flexible deployment of additional resource, has now been embedded with a structured assignment process developed to ensure the right expertise in areas of need is provided.

1.10 Corporate learning needs such as policy development, briefing, and further commissioning ability has supportive programmes in place, so the relevant staff are equipped appropriately. This approach is in the early stages of roll out.

1.11 Directorate people plans will be developed over the next six months which will feed into a corporate workforce planning to ensure this risk is minimised.

1.12 Risk 2 – Partnerships – M (likelihood) / M (impact)
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

1.13 MOPAC convenes a large number of formal meetings in order to ensure we work effectively with partners. These include the London Criminal Justice Board (LCJB) and its sub-Boards, the London Drugs Forum, CONTEST and the ASB Forum. We also attend a number of formal meetings which London Councils run on specific topics, such as community safety and child safeguarding. We believe this provides a good basis for our work in this space.

1.14 The risk score has not changed since last reported, but progress has been made over the last 6 months in progressing the remaining control actions.

Risk 3 – Culture – M (likelihood) / H (impact)
Due to hybrid working and diminished space MOPAC loses its corporate identity which impacts on staff engagement and inclusion, shared purpose and effective understanding and working, leading to dissatisfaction and reduced delivery.

1.15 'Strengthening Identity, Culture and Connection' is the first of the three objectives of the MOPAC People Strategy, published in July 2023. Various aligned frameworks and activities are supporting the delivery of this:

1.16 MOPAC has developed and improved its engagement and communication framework. This now includes regular corporate and local touchpoints such as birdtable, weekly note, team and directorate meetings, together days and conferences. All providing communication and collaboration opportunities.

1.17 A new induction process including a Corporate Welcome event and a framework of 'Get to Know' sessions which cover the extent of MOPAC's work, and internal approaches, is in place. This includes: Get to Know...... Safeguarding, Oversight, People Management, Finance, Procurement, Community Engagement etc.

1.18 A new hybrid working policy with manager and staff guidance was launched in May 2024.

1.19 Work has started on a corporate business plan and directorate business plans. This will enable all staff to see how their work aligns and impacts the overall vison and mission and understand corporate strategies and frameworks, including governance and risk alongside internal improvement plans.

1.20 As previously reported to Panel, the People Strategy holds the key to progress for this risk and this will run over a three-year period. As the assessment improves and varying strategies are enacted we have however decided to revise this risk to directly consider the People Strategy Objective ‘Strengthening Identity, Culture and Connection’. This work is in process, and we will report on the change, controls and scores alongside progress at the next panel update.

Risk 4 – Impact – M (likelihood) / H (impact)
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.

1.21 Time has been taken to learn the lessons and review key areas of the Casey Review Programme, which focusses on the London Policing Board and how it operates. MOPAC has used these lessons to develop the programme to deliver the next Police and Crime Plan, working in this new way to improve our oversight mechanisms.

1.22 As previously reported, we continue to focus on how we communicate our impact to Londoners, with key video content posted on our digital platforms. We are also developing an interactive dashboard, jointly with the MPS, which sets out the measures being used by the London Policing Board to track delivery of the New Met for London plan.

1.23 MOPAC has also included additional questions in the public attitudes survey on the London Policing Board and Mayoral oversight more broadly. These will help us to understand the level of cut through of the board and perceptions of how effectively MOPAC and the Mayor hold the MPS to account.

1.24 The risk score has not changed, and the trend shows a maintained position.

Risk 5 – Finance – H (likelihood) / VH (impact)
Failure to deliver the Medium-Term Financial Strategy and service delivery within the funding available.

1.25 The budget for 2024/25 has been set and the latest Medium-Term Financial Plan forecasts a budget gap in 2025/26 and future years of c£450m. The MTFP has been updated to reflect the end of year position for 2023/24 and to take account of emerging pressures. This has resulted in an increase in the forecast gap which was initially forecast to be c£300m when the 2024/25 budget was set.

1.26 As part of the budget setting process, enhanced governance arrangements have been introduced by the MPS and a set of internal controls are in place to manage the risks of delivering a balanced budget in 2024/25 and in future years. These controls have been embedded and their effectiveness is being monitored on an ongoing basis throughout the year. The extent to which the controls may need to be further deployed will be driven by the confidence from MPS in their ability to reduce the in-year forecast overspend of c£45m and to deliver a balanced budget for 2025/26. Key pieces of work to drive this, including the development and deployment of a strategic planning framework that will drive a prioritisation process are underway. The output is to be discussed as part of the budget setting process at dedicated MPS/MOPAC budget seminars scheduled for September and October.

1.27 Financial resilience continues to be low over the lifetime of the MTFP and the reserves strategy set out a requirement to build back general reserves to a level of c2-3% in order to comply with the reserves strategy. In the short term, the general reserve is being mitigated by earmarked reserves which are not needed until later in the MTFP and therefore provide some short term resilience. The underspend at the end of 2023/24 was added to the general reserves. This was not planned for when the 2024/25 budget was set and has therefore increased the general reserves to a higher level than originally anticipated. Any in-year overspend will however place pressure on reserves and there is a risk that these reduce further than planned should the anticipated mitigations not crystalise. MPS are however confident that a balanced position can be achieved by the end of the year through various mitigations, more detail of which will emerge for Q2.

1.28 The Budget and Business Planning Implementation Group (BBIG) chaired by the MPS Director of Strategy and Transformation was established to oversee and deliver a draft balanced 2025/26 budget by Autumn 2024 and to oversee the controls for the 2024/25 budget delivery. This, and other controls agreed when the 2024/25 budget was set, is now embedded within MPS with regular updates to MOPAC. The outcome of the budget work is scheduled to be available by the middle of October in advance of the budget submission in November.

1.29 Specialist external resource has been commissioned to support the delivery of the efficiency programme and to provide assurance that the savings required will be delivered. This is welcomed especially as c£50m of cross-cutting savings in 2024/25 are not forecast to be delivered and are the main reason for the overspend in the current financial year. Detailed plans on how efficiencies for future years will be delivered is a key part of the work and the outcome of this is to be shared with MOPAC in October.

1.30 MOPAC’s budget process is progressing well and options developed for delivering a balanced budget have been considered by MOPAC Board and the Deputy Mayor for Policing and Crime.

1.31 Overall the trend is a worsening of the previously reported position due to the fact that there is an in-year overspend and the outcome of the Strategic Planning Framework and Efficiency Programme is not yet available. It is accepted that this will emerge as the budget process progresses and with the

Q2 review. The score will therefore be reviewed once the output from these activities is known and should hopefully improve.

Risk 6 – IT Shared Services – M (likelihood) / H (impact)
Failure to deliver a modern, consistent and reliable technology experience for MOPAC's users.

1.32 MOPAC has transitioned to the new shared service arrangement with TfL. Whilst good progress has been made, there are some current issues with some specialist applications that support members of staff with some specific needs. MOPAC and TfL are working closely together to manage the impact and to resolve the issues as quickly as possible.

1.33 A cyber incident within TfL has impacted on MOPAC however the response to this internally was swift and key functionality is in place.

1.34 There remains a concern moving forward about cost escalation, with potential for scope creep with the need for additional functionality of IT that was not costed initially. We are mitigating against this through our strong client management function, which continues to work well.

1.35 The score of this risk remains the same and will continue to be reviewed as the new arrangements are embedded.

1.36 A summary of risk scores and position is at **Appendix 1**.

2 Equality and Diversity Impact

2.1 MOPAC's EDI Strategy with the relevant action plan is contained with the People Strategy. The implementation of the strategy is supported through a number of tools and a framework 'Inclusion –Everyone's Responsibility' which sets out the eco system and responsibilities of Board, managers, HR, Staff networks and inclusion champions, as well as all staff members. The Tools include Inclusion Impact Assessments that are used for all Project and Programmes as well as a MOPAC maturity model that Directorates use to review progress and identify local actions.

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

Report author: Amana Humayun, Chief Finance Officer

7 Appendices and Background Papers

Appendix 1 – MOPAC summary risk position

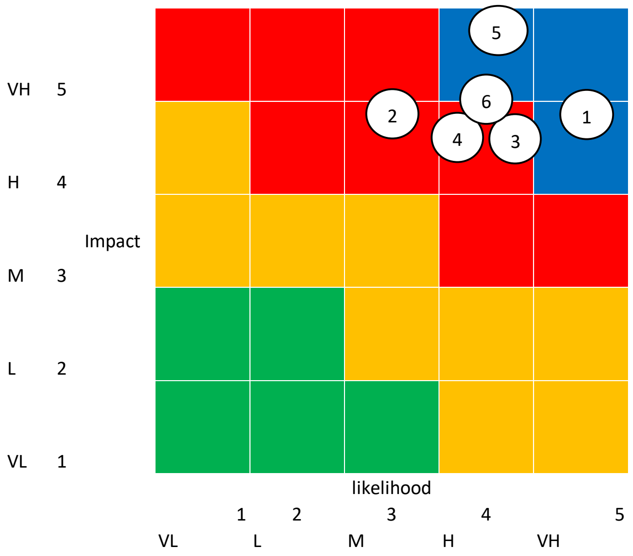
Appendix A: MOPAC corporate risk and issue overview

MOPAC Corporate Risks and Issues

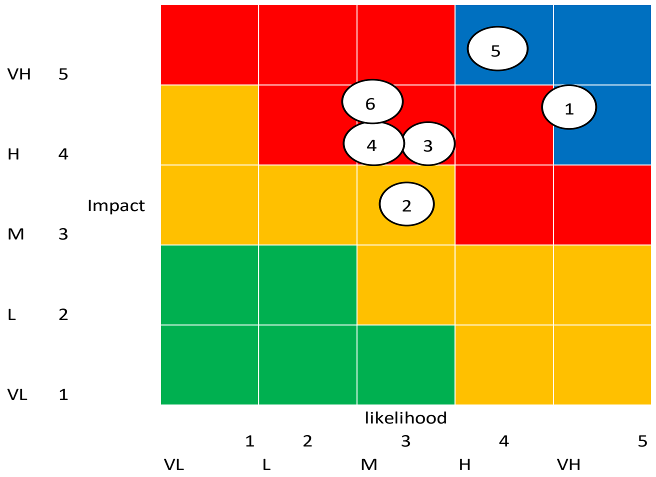
	Risk Description	Risk Owner
1	(Risk) MOPAC does not have the right capabilities and capacity to achieve MOPAC's mission including delivery against statutory function	CEO
2	(Risk) MOPAC does not have the right partnership structures and relationships to work effectively with partners and influence and frame the actions of others to deliver the Mayor’s ambitions and the Police and Crime Plan	Dir of Commissioning & Partnerships
3	(Risk) 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	(Risk) 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	(Risk) Failure to deliver the Medium Term Financial Strategy and service delivery within the funding available.	Chief Finance Officer
6	(Risk) Failure to deliver a modern, consistent and reliable technology experience for MOPAC’s users.	Chief Finance Officer

Inherent risk

Risk score map



Risk score map



MPS-MOPAC JOINT AUDIT PANEL
21 October 2024

External Audit Update

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

<u>Report Summary</u>

Overall Summary of the Purpose of the Report
This paper updates the Audit Panel on the Joint Audit Findings arising from the statutory audits of the MOPAC and MPS financial statements for 2023/24. The reports were issued just before the audit of the financial statements was completed. The auditors have indicated they intend to issue an unqualified opinion when the accounts were signed.

Key Considerations for the Panel
To note the findings from both reports. Management Responses to these are currently being finalised.

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

Recommendations
The Audit Panel is recommended to:

a. Note the Joint Findings report for MOPAC and the MPS
b. Note the Management Letter of Representation - MOPAC
c. Note the Management Letter of Representation - MPS
d. Note the Draft Audit Opinion – MOPAC
e. Note the Draft Audit Opinion - MPS

1. Supporting Information

Joint Audit Findings for MOPAC and the MPS - Appendix One

1.1. The report sets out the key findings of the external audit of the MOPAC and MPS financial statements for 2023/24. The report was issued just before the audit of the financial statements was completed. The auditors have indicated they intend to provide an unqualifed opinion.

1.2. The Value for Money (VFM) work has been completed by the auditors and they are in the process of agreeing the findings and recommendations with management. The VFM assessment will be reported in full in the Auditors Annual Report which will be presented to a future Audit Panel.

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

Management Letters of Representation – Appendices Two and Three

1.4. These letters are two separate letters of representation from MOPAC and MPS to the auditors expressing that the financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

Draft Audit Opinion – Appendices Four and Five

1.5. These reports are two separate audit opinions for MOPAC and MPS, noting that the VFM findings for both are with MOPAC and MPS and that this section of the opinion is to be confirmed.

1.6. The auditors will provide a verbal update on all reports.

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 2023/24 is £643,229. Of which £346,850 relates to MOPAC and £296,379 relates to the MPS. The final fee is yet to be confirmed. Costs will be met from existing resources within MOPAC and the MPS.

4. Legal Implications

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

7. Appendices and Background Papers

Appendix 1 - Joint Audit Findings report for MOPAC and the MPS, Including: -
- Management Letter of Representation – MOPAC
- Management Letter of Representation - MPS
- Draft Audit Opinion - MOPAC
- Draft Audit Opinion - MPS

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

Year ended 31 March 2024

Private and Confidential

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The Mayor's Office for Policing and Crime and
The Commissioner of Police of the Metropolis
New Scotland Yard
Victoria Embankment
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21 October 2024

Dear Joint Audit Panel Members

Audit Findings for the Mayor's Office for Policing and Crime and the Commissioner of Police of the Metropolis for the financial year up to 31 March 2024

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

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Mark Stocks

Partner
For Grant Thornton UK LLP

Contents

Your key Grant Thornton team members are:

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Audit Assistant Manager
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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management, as well as those charged with governance at MOPAC and CPM, and the Joint Audit Panel.

Name: Mark Stocks
For Grant Thornton UK LLP
Date: 21/10/2024

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

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the Mayor's Office for Policing and Crime (MOPAC) and the Metropolitan Police Service (CPM) and the preparation of MOPAC's and CPM's financial statements for the year ended 31 March 2024 for those charged with governance.

Financial Statements	
Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion the financial statements: • give a true and fair view of the financial positions of the MOPAC and CPM's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with each set of audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated	Our audit work was completed during July-October with a hybrid on site and remote approach. Our findings are summarised on pages 7 to 27. We have identified one adjustment to MOPAC's prior year financial statements that have resulted in a £94m adjustment to the Group's Balance Sheet, with no adjustments to the Group's Comprehensive Income and Expenditure Statement and Movement in Reserves Statement. Audit adjustments are detailed in Appendix D. We have also raised five recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion for CPM's, MOPAC's or the Groups financial statements, subject to the following outstanding matters; • Receipt of signed management representation letters {see Appendix G and Appendix H}; • Finalisation and agreement of adjustments required to the main statements in relation to capital; • Completion of substantive testing of Assets Under Construction; • Review of the MOPAC Annual Governance Statement; • Review of updated financial statements ; and • Completion of internal review processes and closedown of audit file. We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisations and the financial statements we have audited. Our anticipated financial statements audit report opinions will be unmodified. We have identified weaknesses in the arrangements put in place by MOPAC and CPM to secure economy, efficiency and effectiveness in their use of resources. Full details of this have been set out in our Auditor's Annual Report on the Value for Money arrangements.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether in our opinion, both entities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	Our VFM work is complete, and we are in the process of agreeing the findings and recommendations with management of MOPAC and CPM. Our work will be reported in full in our Auditor's Annual Report (AAR) which will be presented to the Joint Audit Panel at a later date.
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 audit.	We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.
Significant matters	We encountered two matters deemed significant enough to draw to the attention of those charged with governance. These relate to an Invoice Price Variance (IPV) and an adjustment to the prior period accounts. These are set out in section two of this report. We have also identified audit adjustments and control findings during the course of our work which are set out in this report.

1. Headlines

National context – audit backlog
Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions. By the end of May 2024. Grant Thornton had signed 65% of our 2022/23 audits. This compared with 7% for other firms. We are on course to sign 80% before the local authority backstop is introduced for 2022/23. We have also made good progress with our 2023/24 audits and are pleased to present this report to you on a timely basis. Over the course of the last year, Grant Thornton has been working constructively with MHCLG, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk) We would like to thank everyone at the MOPAC and CPM for their support in working with us to ensure that all work has been completed within a suitable timeframe and to the appropriate quality.
National context – level of borrowing
All PCCs and Chief Constables continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on budgets, there are concerns as PCCs and Chief Constables look to alternative ways to generate income. MOPAC and CPM are not immune to this and are facing ongoing and worsening challenges in balancing budgets, including the use of revenue reserves. Our Auditor's Annual Report report has raised a number of key recommendations on financial sustainability in this regard.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the MOPAC and CPM's internal controls environment, including their IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audits of your financial statements and subject to outstanding queries being resolved (see page 4), we anticipate issuing an unqualified audit opinion on the financial statements of both MOPAC, CPM and the group following the Joint Audit Panel meeting on 21 October 2024, as detailed in Appendix I and Appendix J.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

We have revised the performance materiality due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for MOPAC, CPM and group.

	Group (£'000)	MOPAC (£'000)	CPM (£'000)	Qualitative factors considered
Materiality for the financial statements	61,265	60,000	58,600	This benchmark is determined as a percentage of the entity's Gross Revenue Expenditure in year and considers the business environment and external factors.
Performance materiality	42,886	42,000	41,000	Performance materiality is based on a percentage of the overall materiality and considers the control environment, accuracy of accounts and working papers provided.
Trivial matters	3,063	3,000	2,900	Triviality is set at 5% of Headline Materiality.

We have determined financial statement materiality based on a proportion of the gross expenditure of the group, MOPAC and CPM for the financial year. In the prior year we used the same benchmark. For our audit testing purposes we apply the lowest of these materialities, which is £58,600k (PY £60,000k), which equates to 1.4% of CPM's gross expenditure for the year.

2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Relates to	Commentary
The revenue cycle includes fraudulent transactions **(rebutted)** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	MOPAC, CPM and Group	Having considered the risk factors set out in ISA 240, and the nature of revenue streams at MOPAC, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; • The culture and ethical frameworks of local authorities, including MOPAC, mean that all forms of fraud are seen as unacceptable. For clarity, the culture and ethical framework being referred to pertains to those involved in the financial reporting process who could perpetuate material fraud. Therefore, we do not consider this to be a significant risk for MOPAC. For the CPM, revenue is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the CPM's financial statements as a transfer of resources from MOPAC to CPM for the cost of policing services. Income for the CPM is received entirely from MOPAC. Therefore, we do not consider this to be a significant risk for the CPM. **Conclusion** Our work has not identified any material issues in relation to revenue recognition. A disclosure error was noted in the MOPAC Detained Monies Account income figure, which has been changed by management. A further error was noted with regard to the Proceeds of Crime Act grant which was under accrued as at 31 March 2024. The difference of £5.782 million has been recorded as an unadjusted misstatement in Appendix D to this report. Neither error above is considered significant enough to amend our view on the level of inherent risk regarding revenue. As such, it remains appropriate to rebut the risk of fraud and error in revenue recognition. Therefore, our position on this is unchanged.

2. Financial Statements: Significant risks - continued

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

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

Risks identified in our Audit Plan	Relates to	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. MOPAC and the CPM face external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	MOPAC, CPM and Group	In response to the risk highlighted in the audit plan, we have undertaken the following work: • Evaluated the design effectiveness of management controls over journals; • Analysed the journals listing and determined the criteria for selecting high risk, unusual journals; • Tested a sample of unusual journals recorded during the year and after the draft accounts stage for appropriateness and agreed to supporting documentation; • Tested a sample of journals posted as part of the accounts preparation process where financially material or where risk criteria were met; • Gained an understanding of the accounting estimates and critical judgements applied by management, considering their reasonableness with regard to corroborative evidence; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. • Review the implementation of new controls to ensure that manual journals are authorised before posting **Findings** From our sample testing, we have not identified any matters with regard to the appropriateness of journals. We have reviewed your accounting estimates and critical judgements and do not have any areas of concern to report. We have evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We do not have any areas of concern to report. **Conclusion** We are satisfied from our work performed that there has been no intentional management override of controls that would result in a material misstatement of the financial statements. We have reviewed the authorisation of journals control, which was implemented at the end of 2023/24. For the journals tested that were posted after implementation, we are satisfied that the authorisation control was operating effectively as designed. We will ensure in 2024/25 that the control was implemented effectively throughout the full financial year.

2. Financial Statements: Significant risks - continued

Risks identified in our Audit Plan	Relates to	Commentary
Closing Valuation of land and buildings **Current year value: 1,747 million** **Prior year value: 1,911 million** MOPAC re-values land and buildings on a rolling basis over a five-year period to ensure that carrying value is not materially different from current value at the financial statements date. The valuation of land and buildings is a key accounting estimate which is sensitive to changes in assumptions and market conditions. In valuing your estate, management have made the assumption that for a number of sites, in the event they need to be replaced, they would be rebuilt to modern conditions. Within the valuation of MOPAC's specialised operational land and building sites the valuer's estimation of the value has several key inputs, which the valuation is sensitive to. These include the build costs, the size and location of the sites and any judgements that have impacted this assessment and the condition of the property site. Non-specialised asset valuation estimates are sensitive to inputs including market rent, yields and size of asset. You have utilised Avison Young to value your estate at 30 September 2023. We have identified that the accuracy of the key inputs driving the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	MOPAC and Group	In response to the risk highlighted in the audit plan we have undertaken the following work: • Evaluated management's processes and assumptions for the calculation of the estimate, including the instructions issued to valuation experts and the scope of their work. We have engaged our own valuer to assess the instructions to the group's valuer; • Evaluated the competence, capabilities and objectivity of the valuation expert, • Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the code are met; • Challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding. We have engaged our own valuer to assess the group's valuer's report and the assumptions that underpin the valuation; • Carried out testing of data provided to the valuer to gain assurance that it is complete and accurate; • Tested revaluations made during the year to see if they had been input correctly into MOPAC and group's asset register. • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. Findings On review of the valuation movements from the prior year, we found that the land associated with eight properties held under PFI or finance lease arrangements had been written out of the balance sheet in 2023/24, leading to a notable drop in the overall value of property plant and equipment. The separation of land from buildings in such assets is appropriate under IAS17 – Leases. MOPAC and CPM's accounting policy is in accordance with IAS17. As such, although the removal of these values in 2023/24 is correct, this indicates that the prior periods, where the land was held on balance sheet, are misstated. The total value of the land associated with the eight assets in 2022/23 was £94.6 million (2023/24 value £66.5 million). As this affects the prior year only (accounting treatment for 23/24 was correct) this bears no weight on the conclusion of 2023/24 revaluations. A prior period adjustment (PPA) has been discussed and agreed with management. See full details of the PPA in appendix D. *Continued overleaf.*

2. Financial Statements: Significant risks - continued

Risks identified in our Audit Plan	Relates to	Commentary
Closing Valuation of land and buildings **Current year value: 1,747 million** **Prior year value: 1,911 million**	MOPAC and group	Findings - continued Within our detailed review of the Valuer's calculations for Depreciated Replacement Cost (DRC) assets, it was noted for a selection of assets that the floor areas measurement – Gross Internal Area (GIA) adopted did not match the floor plan areas provided directly to the auditor by your estates team. We challenged the valuer on this issue who explained that they had remeasured some of these assets specifically for the 2023/24 revaluation. This was due to the Manhattan data (source of the GIA floor plans) provided by MOPAC to the valuer being deemed as unreliable or incomplete by the valuer. We are satisfied that the current year measurement has provided materially correct valuations but we note a weakness in the reliability of old data being used for certain assets. Our work has identified that for all revalued assets where the Manhattan data did not agree with data used by the valuer, led to a net overstatement of closing net book value of £7.7 million, as well as an overstatement of depreciation of £1.3 million. We are comfortable that this is not indicative of management override of controls, however there is a weakness in the underlying data which we have recommended that management address in appendix B, page 39. The recommendation encourages management to minimise the risk of error by checking that floor areas supplied for the purpose of the valuation exercise are accurate and complete, and that outputs received from the valuer are also checked to ensure data has been used correctly. The errors identified have been discussed with management and we have agreed that no adjustment is required on the grounds of immateriality. See appendix D. We are satisfied that an adjustment to the prior period would not be necessary as errors in floor plans were fully addressed during the 2022/23 audit, such that the findings for 2023/24 are not considered as following on from the prior period. Our detailed testing also noted that for Cobalt Square (revalued using the Existing Use Value (EUV) method), the valuer's calculation erroneously excluded purchaser's costs from the gross valuation, which is not in line with EUV methodology. The value of this understatement was £3.6 million and has been discussed with management. As above, we have agreed that no adjustment is required on the grounds of immateriality. See appendix D. Finally, management processed all of the revaluation movements in January 2024, as if the revaluation occurred at 31 December 2023, rather than in October 2023 when the revaluation occurred as at 30 September 2023. As a result, the adjustment to write out Accumulated Depreciation (as mandated by the CIPFA Code) cleared 9 months of depreciation as opposed to 6 months. This led to an understatement of depreciation at year end (as only 3 months depreciation remained post valuation) and an overstatement of the movements in the CIES and revaluation reserve due to the lower NBV as at December 2023 compared to September 2023. The misstatement of this is for three months of depreciation not charged, some £21.4 million. However, given the error would not change the financial position materially, this has been agreed with management as an unadjusted misstatement. See appendix D. Our work on AUC remains ongoing. Conclusion Subject to the completion of our audit work and the subsequent quality reviews and after accounting for the adjustment described above, our work has not identified a material issue in relation to the valuation of land and buildings. Our work in this area remains ongoing and any additional findings will be brought to the attention of those charged with governance.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Closing Valuation of pension fund net liability **Current year value: 24,198 million** **Prior year value: 24,342 million** The pension fund net liability, as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements (£24.198 million in the group balance sheet). This estimate by its nature is subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used. We do not believe there is a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation or due to the source data used in their calculation (unless any significant events have occurred, such as significant special events (i.e. redundancies, bulk transfers or outsourcing), material transfers or material membership movements which the actuary may not have taken into account.) However, we have concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. However, the entity may choose to use different assumptions than those proposed by their actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore identified the valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	MOPAC, CPM and Group	In response to the risk highlighted in the audit plan, we have undertaken the following work: • Updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the associated controls • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • Assessed the accuracy and completeness of the information provided by the CPM to the actuary to estimate the liability; • Tested the consistency of the pension fund net liability and disclosures in the notes to test the core financial statements with the actuarial report from the actuary; and • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (an auditor's expert) and performing any additional procedures suggested within the report. Findings The pension liability is determined by the actuarial valuation, carried out by Hymans Robertson at 31 March 2024. The last full quadrennial valuation took place at 31 March 2023, therefore the bulk of our assurance is derived from the ongoing use of this report. The main subject of testing was the Hymans Robertson 2023-24 IAS 19 Report for Police Pension Schemes. We have reviewed the actuary's report against the consulting actuary's report (this is a report commissioned by the NAO and completed by PwC). The PWC NAO report on It is designed to provide guidance to auditors when assessing the competence and objectivity of, and assumptions and approach adopted by actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2024. Based on the work performed, we are satisfied that sufficient assurance has been gained over the assumptions and methods used to determine the gross pension liability and that no issues were noted when assessing and comparing these assumptions and methods to the PWC report and to other third-party data. Furthermore, assurance has been gained over the completeness, existence and valuation of the entity's share of the gross liabilities, as reported within the net pension liability in the entity's financial statements Conclusion Our work has not identified any material issues in relation to the valuation of your net pension liability.

2. Financial Statements: Significant risks - continued

Risks identified in our Audit Plan	Relates to	Commentary
Accuracy and existence of the creditors liability The creditors liability reflected in the balance sheet and notes to the accounts represents a significant balance in the financial statements, at £475 million in the 2023/24 draft financial statements. In our 2022/23 audit findings report, we identified several errors within our testing of creditor transactions. As a result, we evaluated whether there is a heightened risk of material misstatement in this balance. Our conclusion on this was that there is a significant risk of material misstatement. We therefore identified the Accuracy and Existence of creditors as a significant risk, which is one of the most significant assessed risks of material misstatement.	MOPAC, CPM and Group	In response to the risk highlighted in the audit plan, we have undertaken the following work: • Updated our understanding of the processes and controls put in place by management to ensure that the creditors liability is not materially misstated and evaluate the design of the associated controls (including the processes and controls for automated transactions, such as accounts payable); • Evaluated the design and implementation effectiveness of relevant controls over the process; • Evaluated the population of creditors for significant transactions for individual testing. We then performed substantive sample testing of liabilities recorded in the ledger to gain assurance that creditors exist and are recorded accurately. **Findings** Our procedures around year-end creditors were subjected to enhanced procedures as a result of the significant risk level applied due to the errors noted in the prior year. This meant that we tested a sample of transactions to an absolute value of £298 million. This has been deemed a sufficient amount to satisfy ourselves that the creditors balance is materially accurate. As part of our testing of year-end creditors, we identified a £2.9 million creditor in relation to a capital adjustment for 2021/22. This does not constitute a valid 2023/24 creditor as no money is owed, rather it offsets movement in reserves. Investigation indicated that it is a one-off manual transaction (mutually exclusive) and is not indicative of errors across other creditors within the population. It is an overstatement of Current Liabilities and understatement of equity as the other side of the adjustment that caused this creditor to occur affects the MIRS statement. We have agreed with management that this is an unadjusted misstatement, as per appendix D. Our work in this area remains subject to on-going quality reviews. **Conclusion** Subject to the completion of the quality reviews, our work has not identified any material issues in relation to the accuracy and existence of the creditors liability.

2. Financial Statements - Other risks

Issue	Relates to	Commentary
Completeness of Operating Expenditure/Accounts Payable	MOPAC, CPM and Group	We determined at the planning stage of the audit that Operating Expenditure/Accounts Payable represent significant classes of transactions which rely on highly automated processing with little or no manual intervention. Therefore, MOPAC and the CPM's controls over such risks are relevant to the audit and we have obtained an understanding of them. **Findings** No issues were identified as part of our evaluation of the design and implementation of controls. See **appendix D** for the unadjusted misstatements noted through our substantive testing of Operating Expenditure and Creditors. **Conclusion** Our work has not identified a material issue in relation to this risk.
Occurrence, Completeness and Accuracy of Police Officer and Staff Expenditure	MOPAC, CPM and Group	We determined at the planning stage of the audit that Police Officer and Staff Expenditure represent significant classes of transactions which rely on highly automated processing with little or no manual intervention. Therefore, MOPAC and the CPM's controls over such risks are relevant to the audit and we have obtained an understanding of them. **Findings** No issues were identified as part of our evaluation of the design and implementation of controls. **Conclusion** Our work has not identified a material issue in relation to this risk.

2. Financial Statements: new issues and risks

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

Issue	Commentary	Auditor view
IFRS 16 implementation • Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts.	On 01 April 2024, management formally adopted IFRS 16. For 2023/24, a disclosure was made to reflect the impact on the 2024/25 accounts (Note 3 – Accounting standards that have been issued, but not yet adopted). Management asserted that the adoption of IFRS 16 will introduce right of use assets on the balance sheet with a value of £82.5m matched against future lease liabilities of £82.5m.	Our work to review this disclosure centred around the following two steps: • Review and reperformance of steps implemented by management to identify leases which are impacted by IFRS 16. These were checked against the CIPFA Code of Practice as well as industry guidance. • Review and reperformance of calculations to determine the future lease liabilities using present value calculations. Our work on the above two steps did not note any issues. However, we have noted that PFI assets were not included in management's calculations. Furthermore, no exercise was undertaken to show peppercorn leases at their market value. The omission of these from the calculations mean that the disclosure does not present the full liability that will be taken presented in 2024/25. We have requested that management update the disclosure to reflect the above. See appendix D for further details.
Self-authorisation of journals • In 2018/19, MOPAC and the CPM transferred to a new finance ledger system. Management took the decision not to implement a journal authorisation control, giving users the ability to post and authorise their own journals. • For 2023/24, we were informed that a new control has been implemented which forces users to upload evidence of approval into the PSOP system before posting. This control came into effect in the last month of the financial year.	It has previously been judged to be a matter for management to determine the controls operated, although in previous years we have reported on the weakness associated with not having a formal authorisation control embedded into the PSOP system. Therefore, our view is that including this as a mandatory control for all future periods is a demonstration of management actively strengthening the control environment.	As part of our work on testing individual journals for management override of controls, we carried out additional checks to review the authorisation process in action to see if approvals had been obtained prior to posting. As the control had not come into place until the final month of the year, we found that numerous journals within our sample had not been fully authorised, as they had been posted prior to the control being implemented. However, of the journals that were posted after the authorisation control had been implemented, we were satisfied that authorisation had been obtained. For the 2024/25 audit, we will continue to review all sampled journals for this control.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £1,825 million	MOPAC and Group	Land and buildings comprises £1,278 million of specialised assets such as police stations, which are required to be valued at depreciated replacement cost (DRC), reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£422million) are not specialised in nature and are required to be valued at existing use in value (EUV). MOPAC also hold £90 million of other assets (Investment properties, surplus assets, assets held for sale, finance leases and residential properties) which are valued at market value. MOPAC and the Group have engaged Avison Young to complete the valuation of properties as at 30 September 2023. Given the six-month delay between the valuation and year-end, there is a risk that the carrying value of revalued assets could be different from the current value as at the balance sheet date. Avison Young have provided assurances to MOPAC and the Group that this is not the case. Not all assets were subject to revaluation - the total value of these assets were £105m. We have reviewed the reasonableness of management's judgement not to revalue these assets and we are satisfied that it is reasonable and does not lead to a material misstatement in the financial statements. The total year end valuation of properties was £1,825 million, a net decrease of £151 million from 2021/22 (£1,976 million).	We reviewed your assessment of the estimate considering: • ISA 540 requirements; • Assessment of management's expert to be competent, capable and objective; • Completeness and accuracy of the underlying information used to determine the estimate; • The appropriateness of your alternative site assumptions which remain consistent with previous years; • Reasonableness of increase/decrease in estimates on individual assets; • Consistency of estimate against indexed property market trends, and reasonableness of the decrease in the buildings estimate/increase in the land estimate; and • Adequacy of disclosure estimate in the financial statements. **Findings** Our findings on PPE in terms of misstatements, have been reported in Appendix D. In terms of the accounting estimate, land and buildings have been appropriately valued by the instructed valuer. **Conclusion** Following update of the financial statements to account for the prior period adjustment, we are satisfied that the estimate of your land and buildings valuation is not materially misstated.	● Light Purple

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates - continued

<table>
<tr><th>Significant judgement or estimate</th><th>Relates to</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr><td>Net pension liability – £24,198 million</td><td>MOPAC, CPM and Group</td><td>MOPAC and the CPM's net pension liability at 31 March 2024 is £24,198 million (£24,342 million in the Prior Year) comprising the Police Pension Scheme 2015, the 2006 New police Pension Scheme and the Police Pension Scheme all of which are unfunded defined benefit pension schemes.

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

The latest full actuarial valuation was completed in March 2024 using membership data as at 31st March 2022. There has been a £1,470 million net actuarial gain during 2023/24, of which £751 million has impacted the Comprehensive Income and Expenditure Statement.</td><td>• We have obtained an understanding of the processes and controls put in place by management to ensure the group's pension fund net liability is not materially misstated and evaluated the design of associated controls;
• We have assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;
• We have assessed the impact of any changes to the valuation method;
• We have assessed the accuracy and completeness of information provided by the CPM to the actuary to estimate the liability;
• We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary. See the table below for comparison between actuarial assumptions. We have found the assumptions applied to be within a reasonable range of those of our expert and as such have concluded that the assumptions applied are reasonable.

NB: Actuary values within the PwC range are green, those at the upper or lower bound are yellow.</td><td>Light Purple</td></tr>
</table>

Assumption	Actuary Value	PwC range	Status
Discount rate	4.85%	4.80% - 4.85%	Yellow
Pension increase rate	2.75%	2.75% - 2.80%	Yellow
Salary growth	3.1%	2.75% - 3.75%	Green
Life expectancy – Males currently aged 45/65	Current males: 26.5 years. Future males: 27.9 years	Current males: 25.8-26.5 years. Future males: 27.2-27.9 years	Yellow
Life expectancy – Females currently aged 45/65	Current females: 29.4 years. Future females: 30.7 years	Current females: 28.7-29.4 years. Future females: 30.0-30.7 years	Yellow

2. Financial Statements: key judgements and estimates - continued

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £24,198 million	MOPAC, CPM and Group	See previous slide.	• We have tested the consistency of the pension fund net liability and disclosures in the notes to the core financial statements with the actuarial report; • We have assessed the reasonableness of the change in estimate; • We have undertaken additional procedures to gain assurance that the £630 million of 'Other Experience' recognised in your net pension fund liability is reasonable. This reflects the liability decrease in relation to the updated membership data obtained for the last quadrennial valuation as at 31 March 2023. **Conclusion** We are satisfied that disclosures provide sufficient information to the user of the accounts regarding the estimation uncertainty and key judgements underpinning the valuation of the net pension liability. We are satisfied that the estimate of your net pension liability is not materially misstated.	Light Purple

2. Financial Statements: key judgements and estimates - continued

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Property, Plant and Equipment: depreciation including useful life of capital equipment	MOPAC and Group	Depreciation is calculated based on the asset value and expected useful life of assets. The Group monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year.	For buildings, the depreciation charge in the financial statements is based on the historic useful economic life (UEL) data stored in the asset register. Whilst management have regard for the useful UEL supplied by their valuer each year, they do not update the fixed asset register unless the UEL provided by the valuer is significantly different. We performed an analytical procedure by setting an expectation for depreciation based on UELs provided by your valuer. We then compared this to the actual depreciation charged in the financial statements to assess reasonableness. Our analytical procedure identified that the depreciation charge was optimistic, but not materially misstated. This means that the depreciation charge in the financial statements is lower than our expected depreciation charge. The key driver for this was the depreciation on buildings (£18 million above our expectation) and equipment (£11 million below our expectation). Along with other categories, the net difference was that depreciation was above our expectation by £3 million. Our expectation for depreciation on buildings was based on a UEL provided by your valuer. Management does not update the UEL on the fixed asset register each year to the UEL provided for the valuer. They only update it where the difference is significant. This inconsistency resulted in the depreciation charge we expect being lower than the charge made.	● Blue

2. Financial Statements: key judgements and estimates - continued

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Provisions	MOPAC and Group	The most significant provision on the balance sheet is the provision for Third Party Liabilities. The calculation of the provision required is based on an established approach using the estimated reserve required to settle ongoing cases from system reports adjusted for the differences between amounts reserved and amounts paid out in settlement on recent settled cases. Other provisions will be based on professional judgement using suitable available supporting documentation.	Our work in respect of the estimate of provisions has not identified any material issues.	● Light Purple
PFI Liability	MOPAC and Group	PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM , are accounted for as 'on-Statement of Financial Position' by the entity. The PFI liability is determined by the original financial model updated for inflation and relevant variations. The source data is derived from the financial model. Estimates are used for un-invoiced variations (or credits for insurance) based on estimates provided at the time of the variation.	Through the course of our work on the PFI Liability, we found an error in Note 16.5 due to the wrong base year being used for the service charges attached to the Gravesend PFI scheme. This resulted in a £28.8 million understatement of the 2024/25 in year service charge. Management have agreed to correct the disclosure note and this has no impact on the main statements. Please see Appendix D for full details. We also reviewed the 2022/23 calculations to determine if the error dated back to prior periods. We found that there is also an error in 22-23 to the value of £34.2 million. The error is immaterial to both years of accounts, and relates to disclosures only, so we have agreed with management that no prior period adjustment is required. In all other aspects, our work in respect of your PFI liability has not identified any material issues.	● Light Purple

2. Financial Statements: key judgements and estimates - continued

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Accruals including the annual leave accrual and Home Office pension top-up accrual	MOPAC, CPM and Group	The two largest accruals are the Home Office Pension Top-up and employee annual leave accrual, which are documented below. The remaining balance is made up of smaller accruals from around the business. Accruals will be based on actual information on balances owed (eg. invoices) where possible but in some cases, estimates may be used where it is not possible to determine the exact amount to be accrued. Assumptions will vary depending on the accrual however, business accountants will use their professional judgement in determining an appropriate estimate. Source data used will depend on the nature of the specific accrual but is likely to include amongst other things invoices, contracts, timesheets and correspondence with third parties to derive a reasonable estimate. Home Office Pension Top-up Accrual (£338 million): The accrual is a calculation based on the amount accrued from the previous year, the amount received in cash from the Home Office during the current financial year and the deficit on the Pension Fund Revenue Account at the end of the financial year which is recorded on the ledger. Monthly data is used from the ledger for the return to the Home Office to determine the outturn for the current financial year. This data is prepared by Corporate Finance for review and inclusion in the return submitted by the Pensions Lead in HR. Annual leave accrual (£225 million): For police officers and PCSO, computer aided resource management system (CARMS) data is taken, and ready reckoner pay rates are applied to calculate the accrual. The key assumption made by management is that the average hours of annual leave carried forward per pay band for those officers registered on CARMS is reflective of the hours of annual leave carried forward by Officers not on the CARMS system, the source data used to calculate the accrual estimate for policer officers and PCSO is CARMS. For police staff, samples are selected to determine the average unused leave that is then applied to the population. The key assumption made in calculating the Holiday accrual for Police staff is that the sample data is representative of the entire population. Data derived from these samples is collected through self-reporting (holiday entitlement forms). All data is crossed checked and reconciled to HR data. Sufficient numbers of police staff are sampled to ensure that there is a statistically negligible chance that the sample deviates materially from the population from which it has been selected from.	• Our work in respect of the Home Office Pension Top-Up Accrual has not identified any material issues. • Our work in respect of the annual leave accrual has not identified any issues.	● Light Purple

2. Financial Statements: key judgements and estimates - continued

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £66.1 million	MOPAC and Group	MOPAC is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £66.1m (PY £67.3m).	We have carried out the following work: • Confirmed that MOPAC's policy on MRP complies with statutory guidance. • Assessed that there are no changes to MOPAC's MRP policy in comparison to 2022/23. • Assessed and benchmarked the percentage of MOPAC's MRP charge against the opening Capital Financing Requirement (5.82%). As this is above 2%, it falls within our 'Green' range (light purple in this report), i.e., no concerns identified. • Assessed and benchmarked the percentage of MOPAC's total debt against the Capital Financing Requirement (56.6%). As this is below 100%, it falls within our 'Green' range (light blue in this report), i.e., no concerns identified. Government have consulted on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. Government will issue a full response to the consultation in due course.	Light Purple

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Oracle EBS (PSOP)	Design and Implementation	🟠	🟢	🟢	🟠	N/A	N/A
Real Asset Management (RAM)	Design and Implementation	🟠	🟠	🟢	🟢	N/A	N/A
Active Directory	Design and Implementation	🟢	🟢	⚫	⚫	N/A	N/A

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟠 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of MOPAC and CPM's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from CPM to aid with this and these are summarised in below along with comments on delivery.

- Closing trial balance for 2022/23
- Opening trial balance for 2023/24
- Closing trial balance for 2023/24
- All general ledger transactions during 2023/24
- Mapping between the trial balance and the financial statements for 2023/24
- Draft accounts for 2023/24

All of the above were provided at the start of the audit in June 2024. There were no issues with receiving the data required to map both the trial balances and transaction

2. Financial Statements: matters discussed with management

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

Significant matter	Commentary	Auditor view and management response
Invoice Price Variance (IPV) – Operating expenditure 2022-23 As part of our review of the financial ledger, we identified a £1 trillion correcting journal that had been posted onto the system. 2023-24 Similarly in this year's audit we identified a £550 million correcting journal that had been posted onto the system, arising due to an IPV associated with a specific PO. This erroneous transaction was detected and corrected such that there was no error in the year-end financial statements.	A purchase order had been set up incorrectly whereby the unit price and quantity had been incorrectly entered. Once the invoice was received and entered into the system the wrong unit price per the PO was applied and created an invoice price variance (IPV) of £550 million (£1 trillion in the PY) that was posted to the general ledger. This error was subsequently identified by SSCL and corrected. Prevent controls- the system does not prevent a transaction being recorded when it is exceeds the PO amount however the invoice would not be paid due to the 3-way matching controls in place. The accounting entries will however have been posted to the ledger. Therefore, prevent controls are limited. Detect and Correct controls- The SSCL P2P team run monthly reports on IPVs checking for attributes such as the size of the IPV as well as the level of decimalisation (as in this case the decimalisation was wrong) and investigate the IPVs to determine if they are true or there is an error. The P2P team also keep a summary of the total IPVs in each report and the number corrected as an audit trail but also for training purposes. As a secondary control the R2R team will also run an IPV report at month end to check if there are any IPVs they believe the AP Team may have missed and send them over for investigation. There is therefore some level of segregation of duties as two separate teams within SSCL run reports for IPVs and should mean that there is reduced chance of IPVs going uncorrected. The MPS also review monthly budget monitoring reports where any large variances of outturn to budget are investigated and where errors are identified corrections are made.	Although a large error was posted into the financial system, we have reviewed the controls in place to prevent, detect, and correct misstatements. We are satisfied that these controls are designed effectively and, as evidenced here, were able to identify a material misstatement which was subsequently corrected. **This point is cleared by management, and we do not expect a change to controls.**

2. Financial Statements: matters discussed with management - continued

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

Significant matter	Commentary	Auditor view and management response
Prior year adjustments identified	We have found a prior period adjustment which management have agreed to enact. On review of the valuation movements from the prior year, we found that the land associated with eight properties held under PFI or finance lease arrangements had been written out of the balance sheet in 2023/24, leading to a notable drop in the overall value of property plant and equipment. The separation of land from building in such assets is appropriate under IAS17 – Leases. MOPAC and CPM adopt this accounting policy, and this is consistent with the policies adopted in prior periods. As such, although the removal of these values in 2023/24 is correct, this indicates that the prior periods, where the land was held on balance sheet, are misstated. The total value of the land associated with the eight assets in 2022/23 was £94.6 million (2023/24 value £66.5 million). Management provided us with their proposed amendments which were reviewed by the audit team to ensure accuracy. The relevant disclosure was then checked for compliance with the CIPFA code.	Auditor view • We are of the view that a prior period adjustment was essential given the materiality of the values involved. Management response • […]

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Deputy Mayor for Policing and Crime (for MOPAC) and the Commissioner of the Metropolitan Police (for the MPS). We have not been made aware of any incidents in the period that would have a material impact on the financial statements and no other material issues have been identified du ring the course of our audit procedures.
Matters in relation to related parties	Based on the work we have performed, we are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Letters of representation have been requested from both the Deputy Mayor (for MOPAC) and the Commissioner (for the MPS), including specific representations in respect of the following issue: Confirmation that the total value of covert transactions, covert assets, covert bank and cash balances in the MPS, MOPAC and group financial statements is not material. Confirmation that the total value of covert assets not capitalised and included in the financial statements is not material.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to: • The Greater London Authority (in respect of short-term investments and long-term borrowings); • National Westminster Bank PLC (in respect of cash held at bank) and; • Lloyds Bank PLC (in respect of a bank account held by Equiniti on your behalf to process police officer pension payments). This permission was granted and the requests were sent. We have received confirmations from the Greater London Authority, National Westminster Bank PLC and Lloyds Bank PLC.
Accounting practices	We have evaluated the appropriateness of MOPAC and CPM's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	We developed a good working relationship with management who bought into the audit process. We did experience some delays in obtaining requested evidence from management. Delays were primarily as a result of planned annual leave over the summer holidays. We have encountered difficulties and complexities in the audit of property, plant and equipment, which is to be expected given the breadth of assets held by MOPAC.

2. Financial Statements: other communication requirements

Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of MOPAC and CPM's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by MOPAC and CPM meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of MOPAC and CPM and the environment in which they operate • MOPAC and CPM's financial reporting framework • MOPAC and CPM's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified for either MOPAC or CPM. • management's use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate. We note that the cash position fluctuates during the year usually peaking in April following the receipt of grant funding. Significant short term temporary borrowing had been undertaken during Quarter 4 2023/24, with £110.1 million outstanding at year end. We acknowledge that borrowing has been undertaken in accordance with the arrangements documented within the Treasury Management Statement, is short term and is not indicative of liquidity concerns that would impact on the going concern assessment.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statements and Narrative Reports), are materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to Appendix H and Appendix I
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statements does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA audit instructions. As the group exceeds the specified reporting threshold of £2 billion we examine and report on the consistency of the WGA consolidation pack with the group's audited financial statements. • This work is not yet started and will be completed after the financial statements audit is complete.
Certification of the closure of the audit	We intend to certify the closure of the 2023/24 audit of MOPAC, CPM and the Group in the audit reports, as detailed in Appendix H and I. Formal closure of the audit will not take place until we have completed procedures on the Whole of Government Accounts.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

Our Value for Money work is complete and we are in the process of agreeing the findings and recommendations with management of MOPAC and CPM.

Our Auditor's Annual Report will be reported to the Joint Audit Panel at a later date.

4. Independence and ethics

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

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Group. No non-audit services were identified which were charged from the beginning of the financial year to 21 October 2024, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

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

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

Details of fees charged are in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Group that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Joint Audit Plan	Joint Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud.	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan– Audit of Financial Statements

We have identified five recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● High – Significant effect on financial statements	During our testing of the revaluation of the land and building assets, it was noted that the Manhattan floor area data provided to us by the MOPAC estate team were not consistently used across all building assets. Avison Young used a mixture of Manhattan data, their own remeasurements and old, non-Manhattan data. This is because management did not consider the Manhattan data to be complete or a true reflection of the assets' internal area. The risk is that the data provided to the valuer is not sufficiently accurate and the internal areas are not properly measured. This can lead to inaccurate valuation calculations such has been the case during 2023/24.	We recommend that management review their Manhattan data and address any clear issues. Management should consult with their valuer, Avison Young, and ensure that up to date Manhattan floor area are used for every asset where possible. Where this is not possible, then a clear agreement should be reached as to what source of floor area measurement should be used. Management response […]
● High – Significant effect on financial statements	The revaluation date being set at 30 September causes more complex accounting treatment when incorporating the revalued asset values into the asset register. Additional work is also required for the auditor and valuer to confirm that values have not materially changed in the six months to year end. This must be incorporated into the FAR as at the revaluation date otherwise too much depreciation will be written off as a result of revaluation if the new asset values are incorporated later. We have accepted this issue leads to an immaterial misstatement on a net basis (as per appendix D), however we stress that this is an underlying weakness in the accounting for revaluations that should be rectified. Furthermore, there is a risk that with a revaluation date of 30 September leaves opportunity for those asset values to materially change in the 6 months between the revaluation date and the financial reporting date. Therefore, we recommend revaluing the land and building assets at 31 March instead.	We recommend that management set the revaluation date for the land and building assets at 31 March so that the financial statement user is provided with the truest and fairest view of these asset values. Management response […]

Controls

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

B. Action Plan– Audit of Financial Statements - continued

Assessment	Issue and risk	Recommendations
● Medium	In our testing of Unitary Payments (UPs) associated with MOPAC's PFI arrangements in South East London and at the Gravesend training site, we found that the invoices received and paid during the year were different to the UPs given as per the models by an aggregate amount of £6.061 million. This has no reporting impact in 23/24 as the amounts paid are reported in full through the CIES. However, we recommend that management conduct a review of the models to determine their accuracy against the true amounts billed such that the disclosures in note 16.5 for future payments are as accurate as possible. We do note that after many years of operation a divergence between the in year models vs what is being invoiced is common for service concession models in the public sector.	We recommend that management conduct a review of the models to determine their accuracy against the true amounts billed such that the disclosures in note 16.5 for future payments are as accurate as possible. Management response […]
● Medium	We have noted on page 16 that management implemented a new control for manual journals to be authorised prior to posting towards the end of 2023/24. This is an improvement on a historic weakness associated with the Oracle EBS system that allowed journals to be posted by users unilaterally and without appropriate oversight.	We recommend that throughout 2024/25 management actively ensure that the control is embedded fully and applied consistently throughout the full year. Management response […]
● Medium	In our work to select a sample of operating expenditure transactions for substantive testing, it was noted that the listing supplied by management required a significant amount of cleansing before being usable for auditing purposes, i.e., there are a significant number of 'in and out' transactions which are not easily matched off against each other. This poses a risk that the audit team are unable to select true items of expenditure for testing.	We recommend that management conduct a robust cleansing exercise prior to the provision of listings in future audits such that the absolute and net values are materially similar. Management response […]

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of MOPAC and CPM's 2022/23 financial statements, which resulted in six recommendations being reported in our 2022/23 Audit Findings report. We are pleased to report that management have implemented six of our eight recommendations. One remains in progress, the other has been superseded by a point raised as part of our 2023/24 audit.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Declaration of interests (CPM only): From our related parties work we noted that the draft accounts were published without management obtaining a signed declaration of interests from a senior officer. Without signed declarations, there is a risk that the accounts include a material misstatement due to disclosure omission of a related party transactions. After our challenge of this missing declaration, the senior officer returned a signed declaration which confirmed that they had no interests. There is therefore no disclosure misstatement in the draft financial statements. We recommended to management that they obtain all signed declarations from senior officers prior to producing draft financial statements.	All Declaration of Interest received from senior officers for 2023-24 have been signed prior to the publication of the draft financial statements.
✓	Website not updated (CPM only): From our work on related parties, we identified that the Management Board meetings available via the publication scheme on the CPM website had not been updated since October 2022. We recommended that the management board minutes are published in a timely manner to allow transparency and scrutiny.	At the time of audit, Management Board minutes have been published up to April 2023.
✓	Declaration of interests standing agenda item (CPM only): From our work on related parties we noted from our review of the Management Board meetings that were available online that it was not documented if the meeting started with any declarations of Interests to identify any potential conflicts which is considered to be good governance. As best practice governance, we recommended that key decision-making boards all having conflicts of interest as a standing agenda item at the beginning of meetings. This should be documented clearly in the minutes.	This is recorded in the Management Board Minutes of October 2023. For other Board Minutes please see CPM internet and review the publications.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

<table>
<tr><th>Assessment</th><th>Issue and risk previously communicated</th><th>Update on actions taken to address the issue</th></tr>
<tr><td>X</td><td>Floor areas:

As part of our work on PPE we identified that there was significant movements in floor areas for many of your assets compared to the floor areas used in the prior year valuation. Through investigation, it became clear that the floor areas used in the prior year valuation were either incorrect or outdated. Whilst we have gained assurance that this issue has not resulted in a prior year material misstatement, the issue does indicate a weakness in the process and controls management have in place to ensure that floor areas supplied to the valuer remain complete and accurate.</td><td>A similar point relating to floor areas has been raised for the 2023/24 audit which supersedes the point to the left. No action taken on this point.</td></tr>
<tr><td>✓</td><td>GRNI cleansing:

As part of our work on Creditors, we identified that transactions over 1 year old had a total net amount of £24.5 million (based on purchase order date). We raised this with management because in our view, the likelihood of the liability existing is remote. Whilst management agrees with the premise that legacy GRNI's are unlikely to crystalise as future payments, they have told us that the £24.5 million not the true net figure for GRNI's over 1 year old. Management have explained that they are netted off by several debit transactions in the full listing.</td><td>At the end of 2022/23, a manual journal was posted to write out £7.2m worth of GRNI creditors with no prospect of payment. During 2023/24, management conducted an extensive review of GRNI creditors to determine which were associated with closed Purchase Orders, i.e., goods receipted with no prospect of invoicing in the future. In 2023/24, where it has been determined that the CPM is highly unlikely to pay the liability, the amounts have been transacted out of the financial ledgers

<table>
<tr><th></th><th>Mar-23</th><th>Mar-24</th><th>May-24</th></tr>
<tr><td>Total Value</td><td>£ 84,512,682.66</td><td>£ 68,632,592.98</td><td>£ 29,716,895.39</td></tr>
<tr><td>Total Volume</td><td>29,697.00</td><td>33,102.00</td><td>32,741.00</td></tr>
<tr><td>Value @ Prior Y/E (1Yr ago)</td><td>£ 29,269,162.12</td><td>£ 19,767,892.55</td><td>£ 13,979,380.96</td></tr>
<tr><td>Volume @ Prior Y/E (1Yr ago)</td><td>20,303.00</td><td>25,537.00</td><td>24,354.00</td></tr>
<tr><td>Value @ Y/E (2 Yr ago)</td><td></td><td>£ 8,552,543.55</td><td>£ 6,610,550.59</td></tr>
<tr><td>Volume @ Y/E (2Yr ago)</td><td></td><td>18,810.00</td><td>17,726.00</td></tr>
</table>

Per the table above, the balance of GRNI creditors aged over 1 year was £29.2 million at the end of 2022/23. At the end of 2023/24, this same amount has been reduced to £8.5 million. We are satisfied that this is an ongoing exercise to cleanse the creditors listings and that the reducing amount of aged GRNI creditors is evidence of effective management correcting this weakness.</td></tr>
</table>

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Covert Monies: As part of our work on Cash and Cash Equivalents we have noted that there were Covert Bank Accounts, for which a Bank Reconciliation was not completed as at the 31st March 2023. This was determined to be a result of vetting delays impacting capacity available. We have met with the Head of Covert Finance to establish the wider suite of assurance regarding the balance reported. We are satisfied that there is not a risk of material error for 22/23. However, we note that bank reconciliations are a key control to detect and correct misstatements in the financial reporting process.	**Update from management** All expenditure is verified against documentation. All large accounts are reconciled monthly, smaller accounts with limited use are reconciled quarterly. **Audit comment** During our 2023/24 procedures on Covert Monies, we noted that improvements have been made to the quantity of bank reconciliations available for audit. This has meant that 97% of the funds had been reconciled for 2023/24. We have therefore satisfied ourselves that there is not a risk of material error for 2023/24. However, we note that bank reconciliations remain a key control to detect and correct misstatements in the financial reporting process.
X	AUC Opening and closing balances – classification of disclosures: Given previous weaknesses in arrangements around we have conducted specific testing on AUC reclassifications and AUC closing balances to address the risk of material disclosure misstatement. There is a risk that the net book value of assets becomes misstated where assets are not classified in the correct asset class in a timely manner and depreciation is not charged on the asset once it becomes operational.	**Update from management** ... **Audit comment** Our testing of AUC closing balances noted only one asset that should have been classified into operational asset classes prior to the year end. This was trivial to the population and isolated, meaning we have obtained sufficient assurance over the accuracy of AUC closing balances. Our testing of AUC reclassifications, however, noted several fails where assets should have been reclassified in earlier accounting periods, meaning the closing NBV is correct, however the opening balance is overstated. These are not material enough to warrant an adjustment to the prior period, however there is a resulting disclosure error in the PPE note. Cumulatively with closing balance errors in the prior period, we have been able to satisfy ourselves that the note is materially accurate, although given this is a recurring issue, the point raised for AUC Reclassifications has been deemed as 'not yet addressed'.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments – Prior Period

We are required to report all non-trivial misstatements to those charged with governance, whether the accounts have been adjusted by management.
During the 2023/24 audit, we found a material error to the prior period accounts which management has agreed to amend. This has been discussed earlier in this document, but the correcting journal entries are set out below.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Relates to:	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general reserve £'000
Finance Lease PPA Being the correction of the land value associated with PFI and finance leases, first reported on page 11. See also resulting 23/24 disclosure changes to notes 16 and 26.1 on page 48.	MOPAC and Group		Cr PPE 2022/23 Opening Balances Adjustment (62,413) Cr PPE 2022/23 Closing Balance adjustment: removal of revaluation increase (32,205)		Dr Revaluation Reserve 2022/23 Opening Balances Adjustment 62,413 Dr Revaluation Reserve 2022/23 Closing Balance adjustment: removal of valuation increase 32,205
Overall impact			(94,618)		94,618

D. Audit Adjustments – Current year

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

Misclassification and disclosure changes

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

Disclosure issue	Auditor recommendations	Adjusted?
Note 16.1 MOPAC's operational property was revalued at 30 September 2023, not 31 March 2024 as was stated in the accounts. This needs to be corrected in a final version.	Management have agreed to the disclosure changes. Management response	✓
Note 3 This note presents the pending re-measurement of lease liabilities arising from the implementation of IFRS 16 but does not present the additional liability which will be associated with PFI contracts. In addition, peppercorn leases were not adjusted to the market value in the calculation. This is another requirement of the standard.	The following has been added to the note: 'To note the PFI properties and market value of low rent/peppercorn leases were not included in this initial calculation.' Management response	✓
Note 16.5 The in-year service charge understated due to error in applying the model for Gravesend. Wrong base year use. Under IAS17, no impact on liability therefore disclosure only. £28,869,231.80	Management have agreed to the disclosure changes. Management response	✓
Note 2.8 Within the accounting policies for Property, Plant and Equipment, the UEL range for IT and communications equipment is 2-20 years, but 'CONNECT' has a UEL of 25 years, therefore this needs to be updated to 25 years.	Management have agreed to the disclosure changes. Management response	✓
Note 22 (Third Party Monies) The expenditure figure for the line 'MOPAC Police Property Act Fund' has been disclosed incorrectly. The client has agreed to adjust figure on accounts. The figure as per the accounts is £7,610k and the adjusted figure will now be £11,595k	Management have agreed to the disclosure changes. Management response	✓

D. Audit Adjustments - continued

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

Misclassification and disclosure changes

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

Disclosure issue	Auditor recommendations	Adjusted?
Note 30 (Financial Instruments) The short-term-debtors figure has been disclosed incorrectly. This error arises from the client picking up the unadjusted cash figure rather than the figure after manual adjustments. The client has agreed to adjust figure on accounts. The figure as per the accounts is £175,171k and the adjusted figure will now be £179,385k.	Management have agreed to the disclosure changes. Management response	✓
Note 30 (Financial Instruments) The short-term-creditors figure has been disclosed incorrectly. This was in error that was missed by the client. This has been discussed with client and they have agreed to make adjustments to the note. The figure as per the accounts is £588,586k and the adjusted figure will now be £557,890k	Management have agreed to the disclosure changes. Management response	✓
Remuneration Report – Exit Packages We noted through our work on Exit Packages that there were two senior officer exit packages with final working days within 2023/24 which were excluded from the note. This exclusion was not code compliant. We have discussed the issue with management that an amendment to the note has been agreed.	Management have agreed to the disclosure changes. Management response	✓

D. Audit Adjustments - continued

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

Misclassification and disclosure changes

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

Disclosure issue	Auditor recommendations	Adjusted?
Note 16 and Note 26.1 As a result of the PPA in finance leases first discussed on page 11, there are disclosure changes required to Note 16: PPE and Note 26.1: Unusable reserves relating to the in year revaluation entries caused by the change in opening balances on these note. The changes are: Note 16 Opening balance adjustment to Land and Buildings: £1,980,664k (original figure) - £96,617k (land amount removed from Opening balance due to the PPA) = £1,886,047k. Revaluation Movements in Reserves: -£127,269k (original figure) + £96,617k (additional amount charged to the revaluation reserve caused by the PPA) = -£32,652k. Note 26.1 Opening balance adjustment to Revaluation Reserve: -£642,841k (original figure) + £96,617k (reducing the opening balance (credit balance) to reflect values removed from assets) = -£548,224k. In year movement adjusted to reflect lesser opening balance: £39,203 (original figure) - £96,617k (other side of above entry to enable the movement to reach the closing balance) = -£55,414k.	Management have agreed to the disclosure changes. Management response	✓

D. Audit Adjustments - continued

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements for both MOPAC and CPM. TCWG are required to approve management's proposed treatment of all items recorded within the table below.

Detail	Relates to:	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Income accruals Understatement of debtors of £516k due to incorrect accruals calculations. Extrapolated across the population to a projected misstatement of £8.548 million.	MOPAC, CPM and Group	Cr Income (8,458)	Dr Debtors 8,458	-	Both not material and judgemental
Incorrect application of floor areas Overstatement of assets of £7.687 million due to errors in the valuation as per page 12. The resulting reduction in deprecation charge required would be a credit to expenditure, debit to PPE of £1.357m.	MOPAC and Group	Cr Depreciation Expense (1,357)	Cr PPE (7,687) Dr Revaluation Reserve 7,687 Dr PPE Accumulated Depreciation 1,357	(1,357)	Not material.

D. Audit Adjustments - continued

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements for both MOPAC and CPM. TCWG are required to approve management's proposed treatment of all items recorded within the table below.

Detail	Relates to:	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Existing Use Value (EUV) valuation error Understatement to the asset value of £3.648 million due to purchaser costs being omitted from EUV calculations. The resulting additional deprecation charge required would be £52k.	MOPAC and Group	Dr Depreciation Expense 52	Dr PPE (land and buildings) 3,648 Cr Revaluation Reserve (3,648) Cr PPE Accumulated Depreciation (52)	52	Not material.
Operating Expenditure Errors in our testing of operating expenditure leading to overstatement to expenditure of £197k. Extrapolated error leads to a projected misstatement of £4.149 million.	MOPAC, CPM and Group	Cr Operating Expenditure (4,977)	Dr Cash 4,977	(4,977)	Both not material and judgemental.
Fees and Charges The POCA under accrual first reported on page 9.	MOPAC, CPM and Group	Cr Fees and Charges Income (5,782)	Dr Income Accruals 5,782	(5,782)	

D. Audit Adjustments - continued

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements for both MOPAC and CPM. TCWG are required to approve management's proposed treatment of all items recorded within the table below.

Detail	Relates to:	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Nil net book value (NBV) assets Two errors noted in our review of nil NBV assets found one isolated error of £9.344 million and a further projected misstatement of £9.7 million where assets were found to be still in use. Cumulative understatement to PPE is £19.044 million.	MOPAC and Group		Dr PPE (plant and equipment) 19,054 Cr Revaluation Reserve (19,054)		Not material.
Creditors Isolated fails in our creditors testing of £2.9 million as first reported on page 14. No extrapolation required as error isolated.	MOPAC, CPM and Group		Dr Short-term creditors 2,996 Cr General Police Reserve (2,996)		Not material.
Accumulated Depreciation write out Being the potential adjustment to correct the errors to the depreciation charges as a result of not posting revaluation entries as at the date of revaluation, first reported on page 12. Agreed with management that no adjustment required on the grounds of immateriality.	MOPAC and Group	Cr Depreciation Expense (21,479) Dr Depreciation Expense 18,723	Dr PPE (accumulated depreciation) 21,479 Dr PPE (land and buildings) 21,479 Cr PPE (accumulated depreciation) (21,479) Cr PPE (accumulated depreciation) (18,723)	(2,755) Continued overleaf	Nets out to a trivial amount.

D. Audit Adjustments - continued

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements for both MOPAC and CPM. TCWG are required to approve management's proposed treatment of all items recorded within the table below.

Detail	Relates to:	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Accumulated Depreciation write out Continuation from previous page.	MOPAC and Group		Dr PPE (accumulated depreciation) 21,479 Cr Revaluation Reserve (21,479) Dr Revaluation Reserve 18,723 Cr Accumulated Depreciation (18,723)		
Nil NBV Assets Within our assessment of assets with nil Net Book Value (NBV) Assets, we identified 2 items that had been disposed and was no longer in use. As a disposed asset, we expect the NBV to be nil, however current reporting is overstating the GBV and accumulated depreciation in Note 16 by £10,602k. The debits and credits are equal and opposite and hence have no net impact.	MOPAC and Group		Dr PPE (accumulated depreciation) 10,602 Cr PPE (asset gross value) (10,602)		Nets out to zero.
Overall impact		(23,419)	18,727	(23,419)	

E. Fees and non-audit services

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

Audit fees	MOPAC £	CPM £
Scale fee	340,125	289,654
ISA 315 scale fee variation	6,725	6,725
Scale fee as previously reported	346,400	295,929
Use of expert	TBC	-
Additional audit work	TBC	TBC
Total audit fees (excluding VAT)	**£XX,XXX**	**£XX,XXX**

Additional audit work performed relates to IFRS 16 disclosures; difficulties and delays during our IT audit; work on the prior period adjustment and additional time spent during the audit of the valuation of land and buildings.

F. Management Letter of Representation - MOPAC

Provided as a separate document

G. Management Letter of Representation – CPM

Provided as a separate document

H. Audit opinion - MOPAC

Provided as a separate document

I. Audit opinion - CPM

Provided as a separate document

J. Audit letter in respect of delayed VFM work

Jayne Scott

Chair of the Joint Audit Panel

Metropolitan Police Service

New Scotland Yard

London

SW1A 2JL

23 September 2024

Dear Jayne,

Commissioner of Police of the Metropolis – Value for Money arrangements 2023/24

Mayor's Office for Policing and Crime – Value for Money arrangements 2023/24

The original expectation under the approach to Value for Money (VFM) arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest.

Our financial statements audit work and our VFM work is due to be reported to the Joint Audit Panel being held on 21 October 20524. As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 October 2024.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Mark Stocks

Partner

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Mayor's Office for Policing and Crime
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of the Mayor's Office for Policing and Crime (MOPAC) for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and MOPAC's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The group and MOPAC has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and the valuation of the defined benefit liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the group and MOPAC has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosure changes schedules included in your Audit Findings Report. The group and MOPAC financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and MOPAC and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed in Note [X] to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the group and MOPAC financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the group and MOPAC means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and MOPAC's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and MOPAC's ability to continue as a going concern need to be made in the financial statements.

xvi. We have complied with all aspects of ring-fenced grants that could have a material effect on the CPM, MOPAC and MOPAC Group financial statements in the event of non-compliance.

xvii. We confirm that the total value of covert transactions, covert assets and covert bank and cash balances in the group and MOPAC financial statements are not material.

Information Provided

xviii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within MOPAC via remote arrangements from whom you determined it necessary to obtain audit evidence.

xix. We have communicated to you all deficiencies in internal control of which management is aware.

xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and MOPAC and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxv. We have disclosed to you the identity of the group and MOPAC's related parties and all the related party relationships and transactions of which we are aware.

xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvii. We are satisfied that the MOPAC Annual Governance Statement (AGS) fairly reflects the risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the group and MOPAC's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was approved by

Yours faithfully

Name…………………………….

Position………………………….

Date…………………………….

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Commissioner of Police of the Metropolis
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of the Commissioner of Police of the Metropolis (CPM) for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the CPM's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The CPM has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the CPM has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the CPM and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. There are no prior period errors to bring to your attention.

xiv. We have updated our going concern assessment. We continue to believe that the group and MOPAC financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the CPM means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the CPM's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the CPM's ability to continue as a going concern need to be made in the financial statements.

xv. We have complied with all aspects of ring-fenced grants that could have a material effect on the CPM financial statements in the event of non-compliance.

xvi. We confirm that the total value of covert transactions, covert assets and covert bank and cash balances in the group and MOPAC financial statements are not material.

Information Provided

xvii. We have provided you with:

  a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

  b. additional information that you have requested from us for the purpose of your audit; and

  c. access to persons within CPM via remote arrangements from whom you determined it necessary to obtain audit evidence.

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the CPM and involves:

  a. management;

  b. employees who have significant roles in internal control; or

  c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the CPM's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the MOPAC Annual Governance Statement (AGS) fairly reflects the risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the group and MOPAC's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was approved by myself as Commissioner of Police of the Metropolis on [DATE].

Yours faithfully

Name…………………………….

Position………………………….

Date…………………………….

Independent auditor's report to the Mayor's Office for Policing and Crime

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the Mayor's Office for Policing and Crime (MOPAC) and its subsidiary the Commissioner of Police of the Metropolis (the 'group') for the year ended 31 March 2024, which comprise the MOPAC Group Comprehensive Income and Expenditure Statement, MOPAC Comprehensive Income and Expenditure Statement, MOPAC Group Movement in Reserves Statement, MOPAC Movement in Reserves Statement, MOPAC Group Balance Sheet, MOPAC Balance Sheet, MOPAC Group and MOPAC Cash Flow Statement and notes to the financial statements. The notes to the financial statements include a statement of accounting policies and include the police pension fund financial statements comprising the Police officer pension fund revenue account, Police officer pension fund asset statement and notes to the police officer pension fund account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of MOPAC as at 31 March 2024 and of the group's expenditure and income and MOPAC's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of MOPAC and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MOPAC and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause MOPAC and the group to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that MOPAC and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by MOPAC and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by MOPAC and group and group's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on MOPAC and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts and Annual Governance Statement, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to MOPAC under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of MOPAC and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities [set out on page xxv], MOPAC is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing MOPAC's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve MOPAC and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to MOPAC and the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003). We also identified the following additional regulatory frameworks in respect of the police pension fund Public Service Pensions Act 2013, The Police Pensions Regulations 2006, and The Police Pensions Regulations 2015.

We enquired of senior officers and the Deputy Mayor for Policing and Crime, concerning MOPAC and the group's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of senior officers, internal audit and the Deputy Mayor for Policing and Crime whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of MOPAC and the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, risk of judgements derived by management with high estimation uncertainty and other fraud risks including fraudulent recognition of revenue and incompleteness of expenditure and associated liabilities. We determined that the principal risks were in relation to:

- Manual journal entries that may be prone to management override of controls; and
- Key estimates that are subject to management judgement and increased estimation uncertainty such as the valuation of property and the valuation of the net pension liability.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on manual journal entries which are at higher risk of manipulation in comparison to automated system generated journal entries;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud and error in revenue and expenditure recognition and significant accounting estimates related to valuations of land and buildings and accruals. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to MOPAC and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- MOPAC and the group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- MOPAC and the group's control environment, including the policies and procedures implemented by MOPAC and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – MOPAC's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – MOPAC's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that MOPAC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter, except in our joint Auditor's Annual Report we identified:

We are still agreeing our Value for Money findings with MOPAC. This section of the opinion is to be confirmed.

Responsibilities of MOPAC

MOPAC is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Mayor's Office for Policing and Crime's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that MOPAC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of MOPAC's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements MOPAC has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Mayor's Office for Policing and Crime for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for MOPAC for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Use of our report

This report is made solely to MOPAC, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to MOPAC those matters we are required to state to MOPAC in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than MOPAC as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Stocks, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Date:

Independent auditor's report to the Commissioner of Police of the Metropolis

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the Commissioner of Police of the Metropolis (the Commissioner) for the year ended 31 March 2024, which comprise the CPM Comprehensive Income and Expenditure Statement, the CPM Movement in Reserves Statement, the CPM Balance Sheet, the CPM Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Police officer pension fund revenue account, Police officer pension fund asset statement and notes to the police officer pension fund account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Commissioner as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chief Constable's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Chief Constable to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Chief Constable's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Chief Constable. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Commissioner and the Commissioner's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Chief Constable and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities [set out on page xx], the Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Chief Constable without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003). We also identified the following additional regulatory frameworks in respect of the police pension fund Public Service Pensions Act 2013, The Police Pensions Regulations 2006, and The Police Pensions Regulations 2015.

We enquired of management and the Commissioner concerning the Commissioner's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Commissioner whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Commissioner's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls risk of judgements derived by management with high estimation uncertainty and other fraud risks including fraudulent recognition of revenue and incompleteness of expenditure and associated liabilities. We determined that the principal risks were in relation to

- Manual journal entries that may be prone to management override of controls; and
- Key estimates that are subject to management judgement and increased estimation uncertainty such as the valuation of the defined benefit pension liability.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on manual journal entries which are at higher risk of manipulation in comparison to automated system generated journal entries;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of the defined benefit pension liability; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud and error in revenue and expenditure recognition and significant accounting estimates related to accruals. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to the Chief Constable including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Commissioner's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Commissioner's control environment, including the policies and procedures implemented by the Commissioner to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We are still agreeing our Value for Money findings with MOPAC. This section of the opinion is to be confirmed.

Responsibilities of the Commissioner

The Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Commissioner has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Commissioner of Police of the Metropolis for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Use of our report

This report is made solely to the Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Commissioner those matters we are required to state to the Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Stocks, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Date:

MPS-MOPAC JOINT AUDIT PANEL
Monday 21 October 2024

Directorate of Audit, Risk and Assurance Activity Report

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

Report Summary
Internal audit activity since the Panel last met, including risk and assurance, advisory and counter fraud work and a forward look are reported.

Key Considerations for the Panel

- ARAC considered the 2023/24 Internal Audit Annual Report at its meeting in September. The Met is consolidating improvement plans and activity to address the underlying strategic issues highlighted and to track and report progress.
- DARA are developing a series of 'advice notes' to cascade learning addressing the re-occurring risk and control themes highlighted in the Annual Report.
- The outstanding final reports from last year have now been published and good progress is being made on this year's programme.
- Advice has supported MOPAC's review of its approach to strategic oversight, HR policies and procurement with work continuing to support the cultural reform of the specialist units with the Met and development of FLP assurance.

Interdependencies/Cross Cutting Issues
Activity informs MOPAC and Met Governance Improvement Plans and provides assurance on key areas of risk identified in the respective risk assessments.

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

1. Supporting Information

1.1. Reports published since the Panel last met include; Cloud Security and Management, Contract Management Strategic Framework, Environmental and Sustainability, Expenses Framework, Trauma Support Framework and the follow ups of Grievance Management and Governance of Voluntary Funds. Key outcomes were reflected in the Annual Report. Current and planned activity for the coming quarter is highlighted at Appendix.

1.2. Key outcomes of work to date are summarised as follows.

- **Firearms Pro-active Review -** DARA are working in liaison with the Firearms Command Senior Management Team to address the reported outcomes of this analytical review of overtime, allowances and expenses and procurement activity. Key areas of improvement identified are being taken forward under the Met's Cultural Reform Programme.

- **Taser Use and Deployment Follow Up Review (Adequate Assurance)** The approach to risk management has improved, there remains a need to further assess risks to the wider roll out of the new system. Work to identify barriers to take up of training is informing communication plans and national work on police accountability. Confirmation of the strategic approach to ensure resources and training align with operational need is awaited, a Community Scrutiny Panel for Tasers is also to be set up.

- **Non-Police Firearms -** DARA facilitated a workshop with representatives from FLP, specialist commands, logistics and health and safety, to consider keys risks and controls around handling of non- police firearms. Sharing individual perspectives on activity with cross departmental interdependencies that increase risk exposure. The workshop was well received with participants taking away increased knowledge of internal control, in particular. Output is informing the current DARA review.

- **FLP Assurance Framework -** DARA continue to work with FLP to support development of a frontline assurance function and the recently established FLP Transformation Programme. Both aim to strengthen frontline delivery with the transformation programme addressing issues identified in the previous DARA BCU review. The assurance function is not yet fully operational as recruitment continues.

- **MOPAC Financial Management Code Compliance (Adequate Assurance) -** a more robust framework has been developed to support compliance with the FMC. A defined assessment criteria facilitated the self-assessment and action plan, referenced in the MOPAC governance update. Wider stakeholder engagement, including alignment with the Met's FMC assessment, is to further strengthen the approach.

- **MOPAC Procurement Review** - DARA advised on lessons learnt and action to be taken following a recent procurement exercise, which had to be re-commenced.

- **MOPAC HR Policy Advisory Review -** action to enhance the policy development and management framework and in particular, policy formation, accessibility, compliance and assurance provision, has been agreed in support of MOPAC's current comprehensive policy review.

- **MOPAC Oversight Framework** – in liaison with the Strategy team advised on the approach to the LPB effectiveness review due to be completed later in the year, and the current internal review of the framework supporting strategic oversight.

1.3. Reviews of Major ICT Contract Management and MOPAC Decision Making are at draft report with audits of the Response to Serious Personal Injury and Fatality Investigations on the Road Network, Grey Estate, MOPAC budget management accountabilities underway. The MPS review of the budgetary control will be progressed following further discussion with the MPS CFO.

1.4. **Counter fraud activity** on the 2022/23 National Fraud Initiative has concluded with 99% of matches closed and £608k recovered and 2024/25 exercise commenced. Further work is to clarify the approach and steps taken to embed the identification and management of fraud risks across the Met.

1.5. Key reviews commencing include; Offender Management, Professional Standards Framework, Programme Financial Management, Misconduct Framework, MOPAC Commissioning Impact and Internal Governance.

1.6. The Director of Audit Risk and Assurance is also chairing the national Police Audit Group Conference at Warwick in November 2024.

1.7. DARA are reviewing its Internal Audit Charter working towards the revised Professional Audit Standards in January 2025, followed by updated Public Sector Internal Audit Standards in April 2025. These consolidate existing requirements, reinforcing the independence and status of internal audit and introducing new concepts and principles e.g. professional scepticism and courage. The importance of advisory work and provision of insight and foresight when reporting is emphasised, and a new mandatory requirement will set out the framework for auditing specific areas of business.

2. Equality and Diversity Impact

The MOPAC and MPS commitment to diversity and inclusion are considered in review activity. The DARA work plan is designed to provide as wide a range of coverage of MOPAC and the MPS as possible.

3. Financial Implications

No direct financial implications. There is a risk of loss, fraud, waste and inefficiency if agreed actions are not implemented effectively. Savings and recoveries as a result of activity can be 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 provides assurance on the effectiveness of risk management.

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 – Internal Audit Activity

Report to:	**MOPAC / MPS Joint Audit Panel**
Date of the meeting:	21 October 2024
Presented by:	Jayne Scott, Audit Panel Chair
Title / Subject:	Joint Audit Panel Self-Assessment Review of Effectiveness 2023/24
Purpose of the paper:	This paper provides an update on the follow-up actions for the Panel arising from the self-assessment review of effectiveness which was carried out in June 2024 and reported to the Panel in July 2024.

Recommendations

The Joint Audit Panel is recommended to note the report, endorse the revised Terms of Reference for the Panel and adopt the revised meeting papers template.

1. Terms of Reference

1.1. As a Panel we considered that we could be more effective if we were to design our forward work plan to give greater consideration to where the Panel requires assurance and adds most value. To do so we proposed a review of the Panel's Terms of Reference (ToR) to ensure there is clarity on what the Panel is able to deliver. We have carried out a review of our ToR to focus more on assessing overall performance delivery alongside budget setting and monitoring. In the proposed revised draft, there is also now a much clearer focus on our reporting.

1.2. The Panel issued a draft in advance to MPS and MOPAC colleagues to consider and are now attached for consideration by the Panel. Tracked changes are shown for ease (**Annex A**).

2. Forward Work Programme and Agendas

2.1. We considered that agendas could be better structured around key topics e.g. financial resilience, performance, internal and external audit and into sections on MOPAC, MPS and joint issues. We have reviewed our agenda for this meeting to try to improve the structure. We will also revisit our forward work plan against the revised ToR if the revisions are agreed.

3. Guidance on the Content and Format of Papers

3.1. The Panel has developed draft guidance on the content and format of papers and the Panel is now asked to approve this approach for use going forward. The guidance is attached (**Annex B**) and was also circulated in advance for comment. We have also now clarified which papers are “below the line” for noting rather than discussion.

4. Relationship with MPS Audit and Risk Assurance Committee

4.1. We considered that the setting up of the MPS Audit and Risk Assurance Committee (ARAC) had been a significant improvement in the governance arrangements over the last year, and going forward, should be a major benefit to the way the Panel works.

4.2. In order to better align our future work plans, we have arranged for the ARAC report which goes to the MPS Management Board also to be presented to the Panel. We will also share the proposed revised ToR with ARAC. We have requested that Panel members be able to observe some of the ARAC meetings and have extended the same offer to ARAC members at the panel meetings.

5. Meetings with Internal and External Audit

5.1. We have introduced holding at least one formal meeting a year between the Panel and auditors (DARA and external audit) without colleagues from MOPAC and MPS being present. The first meeting is scheduled immediately before our meeting. We will also hold a short pre-meeting with audit colleagues before each panel meeting going forward.

6. Skills Matrix

6.1. We agreed that the Panel would provide a short skills matrix to help colleagues identify where the Panel members’ skills and experience might be available to offer advice and support outside formal panel meetings, recognising that the time available is limited. This work is underway and will be presented to the next panel meeting. The Panel will also continue to keep under review where this support has been requested and ensure that our independence is not compromised.

7. Panel Briefing Materials

7.1. We recognised that the Panel would benefit from a clearer process to be briefed on key emerging issues, such as cyber issues, HMICFRS reports and significant operational issues. This has been actioned via Panel Secretariat, Sarah Egan who is forwarding any key press releases and any other publications and this is already proving to be very useful.

8. Diary Planning

8.1. Diary planning continues to be a challenge. We have scheduled the formal panel meetings for 2024/25 as well as a number of workshop sessions which could be used for joint deep dives with ARAC, effectiveness review etc as required. We have also found the informal briefing sessions between formal panel meetings to be useful and will aim to schedule ahead of time, always recognising the time commitment required from colleagues.

Annex A – Revised Terms of Reference
Annex B – Revised Paper Template

MOPAC | MAYOR OF LONDON

METROPOLITAN POLICE

MOPAC and MPS Joint Audit Panel
TERMS OF REFERENCE

Composition of the Panel

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

Representatives of the MOPAC Board and the MPS Management Board are required to attend the formal meetings of the Panel. Attendees are to include:

- MOPAC: Chief Executive; Director of Strategy and MPS Oversight; Chief Financial Officer.
- MPS: Chief People and Resources Officer; Chief Strategy and Transformation Officer; Chief Finance Officer; Head of Strategic Planning and Risk Strategy; DAC Met Operations.

Also attending each meeting will be the Head of Internal Audit for MOPAC and the MPS, and a representative of external audit.

Purpose

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

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

Commented [A1]: This is covered by the section on objectives.

Commented [A2]: Covered in the section on objectives.

Objectives

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

Internal Control Environment and Governance Framework

- Satisfying itself as to the effectiveness of the internal control framework in operation within MOPAC and the MPS, ~~and advising the DMPC and Metropolitan Police Commissioner as appropriate.~~
- Considering the Annual Governance Statements together with associated action plans for addressing areas of improvement. ~~and advising MOPAC and the MPS as appropriate.~~
- ~~**Police and Crime Plan (PCP) and MPS Transformation**~~
- ~~Regular review of the risks to the delivery of the PCP and MPS transformation and providing assurance of the effectiveness of mitigating actions.~~

Corporate Risk Management

- Approving the MOPAC and MPS risk management strategies and frameworks; ensuring an appropriate framework is in place for assessing and managing key risks to MOPAC and the MPS.
- Reviewing ~~Providing assurance to the DMPC and Metropolitan Police Commissioner as appropriate on~~ the effectiveness of the risk management frameworks in operation.
- Undertaking a series of deep dives into key risks to consider the effectiveness of proposed mitigations and considering risks escalated by the MPS Audit and Risk Assurance Committee where proposed mitigations are unlikely to deliver target risk scores.

Financial Reporting and Budgeting

- Considering the financial risks to which MOPAC and the MPS are exposed (including those that relate to treasury management) and approving measures to reduce or eliminate them or to insure against them.
- Reviewing the effectiveness of the annual budget setting process including reconciling budget, policy, priorities and resources, and reviewing the in-year financial performance against budget.
- ~~Reviewing the outcome of the external audit of the Annual Accounts and considering any potential issues raised.~~
- Considering significant financial strategies (including treasury and commercial management), policies and any changes to them.
- Reviewing the annual accounts, including considering accounting policies and any changes to accounting policies.

Performance Delivery

- Reviewing the MPS performance delivery framework and assessing its effectiveness to deliver the objectives laid out in the Police and Crime Plan, HMICFRS

Commented [A3]: All our activities are to allow us to advise DMPC/Commissioner and will be set out in the annual report.

Commented [A4]: New section on performance delivery framework now included.

- requirements, Casey ~~-~~Review recommendations and any other external review agency recommendations.
- Reviewing the MOPAC performance delivery framework and assessing its effectiveness.
- Considering the effectiveness of MOPAC oversight to achieve MPS transformation and delivery of the Police and Crime Plan.

~~Inclusion, Diversity and Equalities~~

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

~~Safety and Health~~

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

Internal Audit

- Advising the DMPC and Metropolitan Police Commissioner on the appropriate arrangements for internal audit and approving the Internal Audit Charter and Strategy.
- Approving (but not directing) the internal audit annual programme.
- Overseeing and giving assurance to the DMPC and Metropolitan Police Commissioner on the provision of an adequate and effective internal audit service; receiving progress reports on the internal audit work plan and ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk. This may include receiving reports from the MPS Audit and Risk Assurance Committee on the follow up of internal audit recommendations.
- Considering the Director of Audit, Risk and Assurance Annual Report and annual opinion on the internal control environment for MOPAC and the MPS; reviewing ~~ensuring appropriate~~ action ~~is~~ taken to address any areas for improvement.

External Audit

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

Commented [A5]: Performance Delivery Framework's may not be the appropriate terminology but the key point is to ensure JAP reviews performance delivery by both MOPAC and MPS using whatever business plans/KPIs etc are most appropriate.

Commented [A6]: All statutory requirements should be covered through the performance delivery framework including Casey review, HMI recs etc.

~~**Integrity, Ethics, Fraud and Corruption**~~

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

~~**Assurance Framework**~~

- ~~Considering HMICFRS, external review agencies and any internal inspection reports that provide assurance on the internal control environment and/or may highlight governance issues for MOPAC and/or the MPS.~~

- ~~Advising the DMPC and Metropolitan Police Commissioner on the effectiveness of the overall assurance framework in place.~~

Reporting

The Audit Panel will produce an annual report to the DMPC and the MPS Commissioner which will be published on the Audit Panel webpage advising them of the effectiveness of the overall assurance framework, the effectiveness of the performance delivery framework to achieve MPS objectives and the effectiveness of MOPAC's oversight.

Annual Review of the Audit Panel's Effectiveness

- An aAnnual appraisal of the Audit Panel's effectiveness is to be carried out to identify areas for improvement. A summary will be included in the Audit Panel's annual report. ~~operations is conducted and an annual report produced and reported to the DMPC and the MPS Commissioner, which is published on the Audit Panel webpage.~~

- Annual performance appraisals of members are to be conducted by the Chair of the Panel. An annual performance appraisal of the Chair is to be conducted by the DMPC and Commissioner. ~~, informed by the review of Panel effectiveness~~.

Report to:	**MOPAC/MPS Joint Audit Panel**
Date of the meeting:	xxx
Presented by:	Who wrote the paper
Title/Subject	xxxxx
Purpose of the Paper	This paper provides information …… / This paper is in response to… One/two sentences

Recommendations

The Joint Audit Panel is asked to:

- note / approve / comment on
- bullet points if more than one

1. Background/summary

1.1. Ideally 3-4 paras, absolute maximum of 6, numbered 1.1, 1.2 etc (same throughout). Includes main points of an executive summary.

2. Paper content

2.1. Key points summary – short and to the point, can stand on its own.

2.2. Focus on the key issues and why they are important.

2.3. Written as concise points, not as a story. Could include setting out options if relevant.

2.4. Detail relegated to the appendices – total paper length should ideally be 3-4 sides, absolute maximum of 6.

3. Financial information

3.1. Relevant financial/budgetary information (noting that some of this info can be covered in the key points section).

4. Key risks and metrics

4.1. Relevant KPIs and risks to achieving them (noting that some of this info can be covered in the key points section).

5. Further considerations

5.1. Such as equality impact assessment, confidentiality/FOI status.

6. Conclusion

6.1. [one/two paras]

7. Recommendations

7.1. [Restated from the opening section]

Approval / consultation

Process of approval for the paper – where it has already been tabled (e.g. an executive team meeting), who signed it off, where it goes next.

Name, job title of paper author

xxxxx

Appendices

Xxxx

MPS-MOPAC JOINT AUDIT PANEL
21 October 2024

Treasury Management Outturn 2023/24
Report by: MOPAC Chief Finance Officer and Director of Corporate Services

Report Summary

Overall Summary of the Purpose of the Report
This report sets out the performance of the 2023/24 MOPAC Treasury Management (TM) function.

Key Considerations for the Panel
To note the performance and compliance of the treasury function during 2023/24.

Interdependencies/Cross Cutting Issues
Risk register, governance, financial oversight

Recommendations

The Audit Panel is recommended to:
a. Note the treasury management 2023/24 outturn report

1. Supporting Information

1.1. This paper provides an update on the Treasury Management function performance during 2023/24.

2023/24 Outturn

1.2. All investment and borrowing activity during 2023/24 was undertaken within the guidelines and objectives set out in the relevant policy and investment and borrowing strategies.

1.3. MOPAC's investment balances in the London Treasury Liquidity Fund (LTLF) were £7.39m at 31 March 2024 (and averaged £346m April through to the end of August 2024). Returns on MOPAC's investments during the Reporting Period were £25.63m against an interest receivable budget for the Reporting Period of £8.50m, an overperformance of £17.12m or 201%. To avoid large variances in 2024/25 budgets have been reviewed and set at levels that are considered to be more realistic and in line with cash flow expectations.

1.4. In addition MOPAC was paid a dividend of £1.4m. Due to when MOPAC received notification of the dividend, the dividend has been accounted for in the current financial year. Discussions are on going as to how best to utilise the dividend.

1.5. MOPAC's external borrowing reduced from £486.15m at 31 March 2023 to £479.55m at 31 March 2024. Short-term borrowing of £110m was outstanding at the end of the reporting period. The borrowing was taken to manage a cashflow short-term requirement at year-end. No new long term borrowing was undertaken in 2023/24.

2. Equality and Diversity Impact

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

3. Financial Implications

3.1. The cost of external borrowing for 2023/24 was £15.89m as compared to a budget of £21.80m whilst interest receivable and investment income achieved during 2023/24 was £25.63m as compared to a budget of £8.50m. To avoid large variances in 2024/25, budgets have been reviewed and set at levels that are considered to be more realistic and in line with cash flow expectations.

4. Legal Implications

There are no legal implications arising from this report.

5. Risk Implications

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

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

6. Contact Details

Report author: Annabel Cowell, Deputy CFO and Head of Financial Management MOPAC, Amana Humayun, CFO and Director of Corporate Services

7. Appendices and Background Papers

Appendix 1 – Treasury Management 2023/24 Outturn

Mayor's Office for Policing and Crime

2023-24 Treasury Management Outturn Report

1 Introduction

1.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities (DLUHC) Guidance on Local Government Investments. It provides details of MOPAC's investment and borrowing activities for the period from 1 April 2023 to 31 March 2024 which requires the submission of an outturn report on the activities of MOPAC Group's treasury management operation.

1.2 MOPAC's investment balances in the London Treasury Liquidity Fund (LTLF) were £7.39m at 31 March 2024 (and averaged £346m April through to the end of August 2024). Returns on MOPAC's investments during the Reporting Period were £25.63m against an interest receivable budget for the Reporting Period of £8.50m, an overperformance of £17.12m or 201%.

1.3 MOPAC's external borrowing reduced from £486.15m at 31 March 2023 to £479.55m at 31 March 2024. Short-term borrowing of £110m was outstanding at the end of the reporting period. The borrowing was taken to manage a cashflow short-term requirement at year-end.

1.4 All treasury activities have been conducted within the parameters of MOPAC's Treasury Management Strategy Statement for 2023-24 (TMSS) which was approved on 31 March 2023.

1.5 Treasury management has been delegated to the Greater London Authority (the GLA) under Section 401(A) of the GLA Act. The GLA relies on its own officers together with those of London Treasury Limited (LTL), its wholly owned subsidiary authorised and regulated by the Financial Conduct Authority (FCA), to deliver its treasury management shared service.

1.6 The end of June 2023 saw the completion of the restructure of the GLA Group Investment Syndicate (GIS) into London Treasury Liquidity Fund (LTLF), a more conventional fund structure. Prior to this, the GLA was the sole investor in LTLF, with the GIS participants, including MOPAC, owning a pro-rata share of the GLA's interest in LTLF through the GIS. On 30 June 2023, the GIS contractual arrangement was terminated and each GIS participant, including MOPAC, joined LTLF as a limited partner, replacing its GIS interest with an equivalent interest directly in LTLF.

1.7 The investment strategy and underlying investments remained unchanged by the transition from the GIS to LTLF, in accordance with MOPAC's investment strategy. The new fund, structured as an Alternative Investment Fund (AIF), provides additional regulated oversight and assurance via its management by an independent Alternative Investment Fund Manager (AIFM), is more scalable and reduces individual participants' accounting burdens.

2 Economic Update

2.1 The Link Group (Link) has been appointed as treasury advisors to the GLA and the treasury management shared service participants. The information and commentary provided in this section are from Link.

	UK
Bank Rate	5.00% (Aug)
GDP	0.7% q/q 2024 Q1 (-0.2%y/y)
Inflation	2% y/y (May)
Unemployment Rate	3.9% (Jan)

2.2 Against a backdrop of high inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

2.3 The Bank of England raised interest rates during the first part of the reporting period leaving them on hold at 5.25% between August 2023 to the end of the year. After the reporting period they cut rates at their August meeting from 5.25% to 5%. The Bank expects Inflation to increase to around 2¾% over the second half of this year, owing largely to a smaller expected drag from domestic energy bills. The Bank expects headline inflation to continue to fall feeding through to weaker pay and prices. Market expectations of Consumer Price Inflation are 1.7% in two years' time and 1.5% in three years.

2.4 The UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative GDP growth of -0.3% while y/y growth was also negative at -0.2%. Currently GDP is 0.7% in Q1 2024 and is expected to remain in this territory in Q2.

2.5 Unemployment is currently at 4.2% against a backdrop of 884,000 job vacancies, and annual wage inflation is running at 5.4%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 – is now at the 2% target rate. It is noted that core CPI rose by 3.5% in the 12 months to May 2024.

2.6 From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years

3 Interest Rate Forecasts

3.1 As part of its advisory services, Link provides interest rate forecasts. Link's latest forecasts dated 1 August 2024 are set out in the table below, reflecting Link's view that the MPC will continue to cut interest rates from Q3 whilst the Bank of England sees its inflation target met. Most recently the Bank of England opted to keep interest rates on hold as inflation remained at previous levels.

3.2 The PWLB rate forecasts set out below are for the Certainty Rate (i.e. the PWLB standard interest rate reduced by 20 basis points, calculated as Gilts plus 80 basis points) which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View												
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.00	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	5.30	5.00	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	5.30	4.90	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	5.10	4.80	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	5.00	4.80	4.60	4.40	4.30	4.10	4.10	4.10	4.10	4.00	4.00	3.90
25 yr PWLB	5.30	5.20	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	5.10	5.00	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

4 Treasury Management Strategy Statement and Investment Strategy Update

4.1 There are no changes to MOPAC's TMSS and investment strategy.

4.2 During the Reporting Period, all treasury management operations have been conducted in full compliance with MOPAC's Treasury Management Practices (TMP's) as set out in MOPAC's TMSS.

4.3 MOPAC is both a participant in the GLA treasury management shared service and a limited partner in LTLF. As part of its shared service, the GLA provides MOPAC with a monthly cashflow, investment and borrowing report. As principal portfolio manager of LTLF, LTL also provides MOPAC with monthly and quarterly investment reports in relation to its investment in LTLF.

5 Treasury Management Outturn Position at 31 March 2024

Treasury Management Position	Actual at 31/03/24	
	Amount (£m)	Rate (%)
Long-Term Borrowing	479.55	3.24%
Short-Term Borrowing (Variable Rate)	110.00	6.99%
Total External Borrowing (A)	**589.55**	
PFI Liabilities	36.18	
Finance Lease Liabilities	6.04	
Total Other Long-Term Liabilities (B)	**42.22**	
Total Gross Debt (A+B)	**631.77**	
Capital Financing Requirement	1,180.13	
Less Other Long-Term Liabilities	42.22	
Underlying Capital Borrowing Requirement (C)	**1,137.91**	
Under/(Over) Borrowing (C-A)	506.14	
Investments: Short/Long-Term (D)	7.39	
Total Net Borrowing (A-D)	**582.16**	

6 Borrowing Activities

6.1 The table below shows the movement in external borrowing during the Reporting Period.

External Borrowing (£m)	Long-Term	Short-Term	Total
Balance at 31 March 2023	486.15	-	**481.15**
Add New Loans		110.00	**110.00**
Less Loans Repaid	(6.60)		**(6.60)**
Balance at 31 March 2024	479.55	110.00	**589.55**

6.2 £110m of new short-term external borrowing was secured to manage MOPAC's cash flow towards the end of the financial year.

7 Investment Activities

7.1 On 30 June 2023, MOPAC joined LTLF as a limited partner and transferred its GIS interest to LTLF. The investment strategy and underlying investments remained unchanged by the transition from the GIS to LTLF, in accordance with MOPAC's investment strategy.

7.2 MOPAC's investment balances reduced from £202.19m as at 31 March 2023 to £7.39m as at 31 March 2024.

8 Investment Performance

Interest Receivable and Payable	Actual at 31/03/24	2023-24 Budget	Actual vs Budget (%)
Interest Receivable	£(25.63)m	£(8.50)m	201%
Interest Payable	£15.89m	£21.80m	27%

8.1 Total returns on MOPAC's investments during the Reporting Period were £25.63m against an interest receivable budget for the Reporting Period of £8.50m, an outperformance of £17.12m or 201%. As at the time of writing this report, all the £25.63m have been realised. Please see the breakdown below:

Investment Return 2023/24	Amount
Interest added June 2023	£5.78m
Interest Redeemed March 2024	£17.10m
Interest added April 2024	£0.33m
Dividend Distributed May 2024	£1.40m
Balance of Core Return added June 2024	£1.02m
Total Realised Return	**£25.63m**

9 Prudential and Treasury Management Indicators

9.1 It is a statutory requirement to determine and keep under review prudential and treasury management indicators for MOPAC.

Capital Expenditure Prudential Indicators

Capital Expenditure and Capital Financing Requirement (£m)	Actual at 31/03/24	2023-24 Budget (Reporting Period)	Variance
Capital Expenditure	£305.60m	£335.60m	£30.00m
Capital Financing Requirement	£1,137.91m	£1,167.10m	£29.00m

External Debt Prudential Indicators (including PFI liabilities)
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Authorised Limit for External Debt	2023-24
Authorised Limit	£1,046.70m
External Debt at 31 March 2024	£631.77m
Headroom	£414.93m

Operational Boundary for External Debt	2023-24
Operational Boundary	£921.70m
External Debt at 31 March 2024	£631.77m
Headroom	£289.93m

Treasury Management Prudential Indicators

Limits for Maturity Structure of Borrowing (%)	**Upper Limit %**	**Lower Limit %**	**Actual at 31/03/24**
Under 12 months	50.00	0.00	1.38
12 months to 2 years	20.00	0.00	1.17
2 years to 5 years	20.00	0.00	6.01
5 years to 10 years	35.00	0.00	16.79
10 years to 20 years	35.00	0.00	25.66
20 years to 30 years	50.00	0.00	45.88
30 years to 40 years	25.00	0.00	3.13
40 years and above	20.00	0.00	0.00