

AUDIT PANEL

Friday, 26 June 2015

Director of Audit, Risk and Assurance

Annual Report 2014/15

Report by: The Director of Audit, Risk and Assurance

1. Report Summary

The attached report contains the 2014/15 annual opinion of the Director of Audit, Risk and Assurance on the effectiveness of the control environment within the Mayor's Office for Policing and Crime (MOPAC) and the Metropolitan Police Service (MPS). It also summarises the activities and performance of the Directorate of Audit, Risk and Assurance (DARA) for the period April 2014 to end of March 2015.

2. Recommendations - The Audit Panel is recommended to:

- a. consider the Annual Report of the Director of Audit, Risk and Assurance and note the annual opinion on the effectiveness of the MOPAC and MPS control environments; and
- b. confirm that the Directorate of Audit, Risk and Assurance provided an effective internal audit service to MOPAC and the MPS in 2014/15.

3. Supporting Information

3.1 The Director of Audit, Risk and Assurance is required to give an annual opinion on the effectiveness of the MOPAC and MPS internal control environments. This is based on an assessment of the systems of governance, including risk management and the adequacy of the internal control framework.

3.2 Overall for 2014/15 the Director of Audit, Risk and Assurance has concluded the MOPAC and MPS internal control environments are improving but not yet fully effective. The opinion recognises that MOPAC governance arrangements have continued to develop and mature, and the MPS governance framework has recently been revised to respond to the challenge of managing an unprecedented level of change whilst maintaining effective policing services. Plans developed to embed sound governance will help secure an effective internal control framework supporting the achievement of policing priorities and objectives.

- 3.3 The Annual Report has informed the MOPAC and MPS Annual Governance Statements, presented to the Audit Panel for consideration at this meeting, which detail actions to be taken to address the areas of improvement identified.
- 3.4 The report reflects the considerable challenges the MPS faces as it moves into the next phase of change and transformation with increasing demands for further significant cost reductions. Key points of note include:

Internal Control Environment

MOPAC

- The Police and Crime Plan (PCP) clearly defines the Mayor's mission, objectives and goals for MOPAC, and sets the strategic priorities for policing in London and the wider criminal justice system. MOPAC published its annual report in July 2014, summarising progress made and a further update is due to be reported later in the year.
- The Oversight Board, chaired by the Deputy Mayor for Policing and Crime (DMPC), met regularly during the year, commissioning MPS strategy in support of the PCP, approving the MPS Business Plan and Mid Term Financial Strategy and assessing progress against delivery.
- The MOPAC Challenge public forum provides the opportunity for the Mayor and DMPC to hold the MPS to account in an open and transparent way. Each quarter it met with the MPS Commissioner to account for performance in meeting PCP targets on reducing crime and reoffending, and preventing crime. Reflecting MOPAC's wider remit within the criminal justice system, MOPAC Challenge also examined; reducing adult reoffending, probation reforms and safeguarding of children, promoting collaborative working and agreeing joint initiatives aiming to increase efficiency and effectiveness.
- The London Crime Reduction Board chaired by the Mayor with a membership comprising of the DMPC and London Council Leaders and attended by the MPS Commissioner, met quarterly. The Board supported key PCP initiatives such as the Business Crime Strategy, Shared Ambitions for Collaboration and Reform, Tackling Anti-Social Behaviour and Developing an Integrated Approach to Victims' Services.
- The business planning and performance management framework is continuing to be developed and integrated across MOPAC to ensure resources are focused on key priorities as the organisation continues to drive delivery of the PCP. The effectiveness of governance arrangements is increasing with greater clarity on the role of internal boards and leadership meetings and the management of key interdependencies.

- A DARA review of the MOPAC risk management framework concluded it continues to develop with improved reporting and assessment of risks to key strategic objectives. A more clearly defined and fully integrated approach within business processes, such as business planning will add to the level of risk management maturity.
- Oversight Board considered key risks to the achievement of PCP objectives and the interdependencies between MOPAC and the MPS. This will be taken further forward in the coming year ensuring appropriate ownership and mitigation of shared risks.

MPS

- The Commissioner's One Met Strategy supports the delivery of the PCP and is aligned with local and national strategic priorities. Work continues to ensure the Strategy drives performance and is embedded across the MPS. A corporate plan based on the strategic drivers has been developed and a new balanced scorecard introduced.
- The recently developed Strategic Governance Framework aims to clearly define accountabilities and promote robust business planning, supported by more effective financial reporting and monitoring and risk and performance management. This more integrated approach will enable a greater focus on measuring outcomes and the quality and cost effectiveness of service delivery.
- The level of risk maturity continues to be assessed at level 2, 'happening', and moving in the right direction. Work underway to improve the planning and performance management framework will support a more integrated approach to the delivery of policing priorities and objectives. Consistency in the application of an approved risk management framework will ensure that risks are properly identified at all levels within the organisation and escalated as appropriate. The MPS Management Board is committed to increasing the level of risk maturity with plans in place to achieve level 3 in the coming year.
- The major programme of change is moving into the next phase having delivered significant reconfiguration of some areas in the MPS and contributed to the achievement of considerable savings. This will be managed and delivered through a single portfolio based on the One Met Model 2020, the future operating model for the MPS. The revised governance framework is addressing areas of improvement identified, in particular, reporting and tracking stated benefits and realising financial savings, and cohesively managing strategic issues across the portfolio of change.
- A single Design Authority is helping to establish a more integrated approach with technology designated as a key enabler. Programme and project management frameworks have been standardised and now need to be fully implemented.
- Implementing an effective contract management framework remains a priority and is being addressed as part of the development and implementation of the

Commercial Strategy. This will be key to establishing effective intelligent client functions and securing the savings aligned to the Strategy.

- The internal control framework for 62% of the risk and assurance reviews conducted was assessed as adequate or above with 38% rated as limited (42% last year). A total of 68% of follow ups achieved an adequate assurance rating or above with 32% limited (6% last year), a number showed improvement in some areas and plans were in place to progress actions but this was not sufficient to increase the overall assurance rating at this stage.

Improving Governance and Internal Control

- Audit evidence indicates the following would help to significantly strengthen the internal control framework in support of achieving policing priorities and objectives;
 - Ensuring lines of accountability and roles and responsibilities are clearly defined and properly aligned and supported, both in terms of delivering change and managing business as usual.
 - Ensuring the revised governance structure and, in particular, key executive boards and decision makers, operates effectively.
 - Increasing the effectiveness of the risk management and assurance framework to reliably inform key decisions and performance discussions, and help identify where resources would be best utilised.
 - Improving skills and capacity within the organisation, supported by sound systems and reliable information, to meet the commercial and financial challenge and change in operating model.

Directorate of Audit, Risk and Assurance Activity and Performance

- External Audit continue to place reliance on the work of DARA in reviewing key material systems.
- Sixty risk reviews and follow up audits, 4 BOCU reviews and 55 investigations were carried out. DARA also provided systems development and control advice on areas of the business subject to significant change.
- A total of 90% of risk review work was completed to report stage by the end of the year against meeting the agreed target. Audit time was spent broadly as planned. 83% productivity exceeded the 80% target set for direct audit time.
- DARA exceeded the 80% target set for overall client satisfaction, achieving 82%. The staff conduct of reviews achieved 97%, review conclusions 89%, and the value of reports and agreed actions 87%. DARA has a continuous improvement plan and will this year focus on developing its strategic approach as the MPS continues to change significantly.
- Timeliness of reporting met targets at final report stage but lapsed time for between beginning and end of fieldwork needs to improve.

4. Equality and Diversity Impact

The MOPAC and MPS commitment to equality and diversity are considered in all activities carried out by DARA. In particular, DARA reported on progress made in implementing the agreed actions following a previous review of the equalities and diversity performance framework.

5. Financial Implications

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

6. Legal Implications

There are no direct legal implications arising from the report.

7. Risk Implications

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

8. Contact Details

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9. Appendices and Background Papers

Appendix - Director of Audit, Risk and Assurance Annual Report 2014/15