

Witness Name: **Julie Norgrove**

Statement no: **First**

Exhibits: **JN1 – JN21**

Date: **29 February 2012**

THE LEVESON INQUIRY

Witness Statement of **Julie Norgrove**

I, Julie Norgrove, will say as follows:

1. I am the Director of Audit, Risk and Assurance providing the internal audit service for the Mayor's Office for Policing and Crime ("MOPC") and the Commissioner of the Metropolis. I am a member of the Chartered Institute of Internal Auditors ("CMIIA"). I also chair the National Police Audit Group.
2. I was previously Director of Audit, Risk and Assurance at the Metropolitan Police Authority ("MPA") from 1 October 2009 until the transition to the MOPC on 16 January 2012.
3. Following the introduction of the Police Reform and Social Responsibility Act 2011, the MPA was abolished and the MOPC created. Under the Act both the MOPC and the Metropolitan Police Service ("MPS") have audited body status following consequential amendments made to the Audit Commission Act 1998. The MOPC and the Commissioner of the Metropolis, therefore, are both now required to maintain an effective audit service. The Home Office Financial Code of Practice, a copy of which I attach as Exhibit JN1, which supports the implementation of the Act, recommends that the internal audit function is provided by one entity and that the service is shared. The MOPC Directorate of Audit, Risk and Assurance are carrying out this function and as Director, I will be required to give an annual opinion on the effectiveness of the MOPC and MPS risk management, internal control and governance framework.
4. The list of issues published by the Inquiry in relation to module 2 - the relationship between the press and the police - seeks views in relation to the adequacy of governance and oversight arrangements in place for police officers and other staff to ensure the effective management and recording of gifts and hospitality, secondary business interests, associations and conflicts of interest.

It also seeks views on the legitimacy of transactions between police officers, other police staff and the media and whether the approach to gifts and hospitality between the press and the police should be different to the approach between the police and other parties. Given my role as the Director of Audit, Risk and Assurance for the MOPC and the MPS, and previously for the MPA, I am able to provide the Inquiry with information that may be of relevance to its consideration of these issues.

5. In addition, the MPA/MOPC has been asked by the Inquiry (in a Section 21 Notice addressed to Kit Maithouse) to provide views on the recommendations contained within HMIC's report "Without Fear or Favour – A Review of Police Relationships", December 2011, insofar as they concern relations between the media and the police. Given my role, it may be that I am able to assist in providing further information and context to the Inquiry in relation to internal audit work in the areas covered by HMIC in their report.
6. In order to assist the Inquiry, I have appended to my statement at Annex A, a document that identifies the sections of my statement that correspond with the relevant Section 21 questions.

Background

7. I held a number of posts before I became an employee of the MOPC. I joined Cardiff City Council in 1984 as an audit assistant and held various positions within internal audit and finance, qualifying as an audit professional in 1994 and subsequently becoming a group audit manager. I left Cardiff County Council (as it was then following a merger with the City and County Councils) in 1996 and I moved to the MPS as an Assistant Director in the Internal Audit Directorate, as one of three Assistant Directors reporting to the Director of Internal Audit, Peter Tickner.
8. When the legislation that set up police authorities came into force in 1996, police authorities were established as audited bodies. The introduction of the MPA in 2000 (by virtue of the Greater London Authority Act 1999) saw the MPA established as an audited body, and therefore it became a requirement of the MPA to maintain an effective internal audit service. As a result, the staff and function of the Internal Audit Directorate that sat within the MPS were transferred to the MPA in July 2000 on its creation.
9. Just prior to the MPA being formed in 2000, a post of Deputy Director of Internal Audit was created, and I was appointed to this role. I continued to report to the Director of Internal Audit. I was responsible for delivering the systems audit and advisory work programme of the Directorate. The Head of the Forensics Audit Branch, who also reported directly to Peter Tickner, was responsible for

managing the investigative function (which focused on potential irregularities and internal fraud relating to police staff and contractors).

10. Peter Tickner left the MPA in September 2009 and following a competitive recruitment process I was promoted to Director, taking up the position in October 2009, with responsibility for the systems audit, advisory and investigatory audit function.
11. Upon my appointment I instigated the name change from Internal Audit Directorate ("IAD") to the Directorate of Audit, Risk and Assurance ("DARA"), as it better reflected the scope and strategic approach of the Directorate's work. I introduced a greater focus on a risk based approach and re-organised the Directorate accordingly.

The role of Internal Audit

12. Internal Audit is an assurance function that provides an independent and objective opinion to an organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It examines and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. It provides advice and assurance to senior management; it is not a substitute for management control.
13. As referred to above, the MPA had audited body status and as such was required by statute to secure an adequate and effective internal audit function. In practice, this role was delegated to the Chief Executive, Catherine Crawford, to whom I report.
14. IAD, and subsequently DARA, provided the internal audit service for the MPA and MPS. Audit reports were issued to a member of the MPS Management Board, the MPS Director of Resources, MPA Chief Executive, MPA Treasurer and the District Auditor (the external auditor of the MPA). The head of internal audit had a statutory responsibility to give an annual opinion on the effectiveness of the MPA/MPS risk management, internal control and governance framework - a function performed by Peter Tickner until October 2009, and myself since that date.
15. IAD and DARA supported the MPA in its mission to secure an effective and efficient police service for the people of London. We evaluated the adequacy of the MPA/MPS control environment, provided independent assurance and made

recommendations to senior management to improve the internal control framework.

16. The work of IAD and DARA was overseen and supported by the MPA's Corporate Governance Committee ("CGC"). The CGC carried out the function of an Audit Committee. I attach a copy of the terms of reference for the CGC at Exhibit JN2. The CGC came into existence in July 2004. Prior to this, the functions of the CGC were carried out by the MPA's Audit Panel.
17. Under the new legislative regime, in accordance with the Home Office Financial Code, the MOPC and the MPS have created a combined independent Audit Panel that will carry out the Audit Committee function in line with recognised best practice. This Audit Panel will be served by an interim membership appointed by the Deputy Mayor for Policing and Crime, and the Commissioner of the Metropolis, whilst arrangements are made to recruit a permanent membership.
18. The IAD and DARA have been recognised for their professionalism and effectiveness by both the CGC and external reviewers, for example the Audit Commission. My team at DARA (and the IAD team before it) are all professionally trained auditors and operate under the standards laid down by the Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Internal Auditors UK and Ireland. Our counter-fraud auditors are accredited and/or experienced investigators and are supported by professionally trained analysts.

Strategic Approach and Work Programme

19. When I became Director of DARA in October 2009, I sought to adopt a greater focus on a risk based approach to our work, focusing on reviewing areas key to achieving policing priorities and objectives. This is the same approach being adopted by DARA under the new legislative regime. The following key areas of work are carried out in support of our strategic approach:
 - Conducting risk based audits – the audits provide much of the evidence to support the annual opinion on the effectiveness of the internal control environment. The audits give assurance on the effectiveness of controls to manage key risks in achieving MPS/MPA (and now MOPC) objectives and contain agreed actions for improvement.

- Review of risk management - conducting reviews of the risk management process and working in liaison with the MPS strategic lead for risk management to facilitate improvement.
- Advising on change programmes and projects - advising on new or developing systems at an early stage in the development process. We provide assurance on the effectiveness of programme and project management. We also provide ad hoc control advice through our helpline. This is a dedicated line where individuals/managers can call for risk and control advice.
- Specialist reviews - risk based reviews focusing on specialist areas of the business such as procurement, information and communications technology ("ICT") and systems supporting covert activity.
- Counter fraud activity – providing the basis for a fraud prevention and awareness programme and Investigating potential irregularities and/or internal fraud relating to police staff and contractors. Individuals could, and can, also contact us via the whistleblowing line (known as 'The Rightline') to report potential internal staff related fraud/irregularities in confidence.

20. It was the responsibility of the Director of IAD, and now my responsibility as Director of DARA, to draw up the annual Audit Plan in consultation with the MPS Management Board and the MPA Senior Management Team. The Audit Plan sets out the annual plan of risk based reviews, follow up audits, advisory and counter-fraud work that internal audit will conduct. Under the MPA, the Audit Plan was approved by the CGC (and previously the MPA Audit Panel), and under the new regime the Plan will be approved by the Audit Panel. In drawing up the Audit Plan I take account of management's assessment of risk where appropriate; the more risk mature an organisation is the more reliance can be placed on their assessment of risk. Whilst the MPS was (and is) developing in terms of risk management, with progress being made over the past two years, the two plans I have produced since my appointment in 2009 (2010/11 and 2011/12) have been based on a combination of the MPS's own assessment of risk and DARA's audit risk assessment. This is the recommended approach when auditing an organisation that is developing in risk maturity.

21. Since my appointment as Director, I have presented my proposed audit plans for the following twelve months to the CGC for review and approval in March each

year. I attach a copy of the 2011/12 Audit Plan that I prepared as Exhibit JN3. It contains a review of gifts and hospitality that has recently been completed, and to which I refer in more detail below.

22. Over the past eleven years, internal audit has compiled a database of approximately 200 systems (gifts and hospitality being one of them) that need to be audited. A combination of risk factors (including income, expenditure, sensitivity, impact on operational objectives, and time since last audit) were, and are, used to determine the level of risk associated with each area of business. An annual assessment of risk using this criterion was and is conducted to assist in determining the annual plan and frequency of audit activity. The approach was to audit those systems which were deemed to be high risk three times in a five year cycle, medium risk twice in a five year cycle, and low risk once in a five year audit cycle. In some instances, low risk systems were not reviewed during a five year cycle if they continually appeared as low risk. This risk based approach is in line with recognised best practice and is taken as finite audit resources are available and it is only possible to conduct a certain number of audits in any 12 month period.
23. The MPS gifts and hospitality system was consistently categorised as medium risk by internal audit and has been subject to audit review five times in the past eleven years. The MPA gifts and hospitality system was low risk - to put this in context the number of MPA Members and staff to which the gifts and hospitality provisions applied in practice was approximately 27, in comparison to over 50,000 officers and staff in the MPS.
24. The policy and monitoring arrangements for MPA gifts and hospitality were subject to external audit review as part of the previous Police Use of Resources annual review. The minutes of the September 2009 CGC meeting (as referred to at paragraph 43 below), show that a report on the MPA position with regard to the reporting of MPA Members and officers of gifts and hospitality was also considered and noted by the CGC.

Relationship between Internal Audit and the MPA Corporate Governance Committee

25. As referred to above, the CGC (and the MPA Audit Panel before it) oversaw the work of IAD (and then DARA) and provided annual assurance on its effectiveness. The internal audit function was also reviewed externally by the

Audit Commission, and the CGC received the external audit assessments and regular reports on internal audit performance.

26. My reports of DARA's activities went to the CGC and I attended its meetings, along with the Chief Executive of the MPA, the MPA Treasurer, MPS Director of Resources and other officers and staff of the MPA and MPS as required.
27. The CGC (and previously the MPA Audit Panel) would also track the progress of the implementation of internal audit recommendations and in particular those categorised as high risk.
28. Internal Audit had (and has) no executive responsibility in developing and implementing MPS policy; this is the responsibility of the MPS Management Board. However, Internal Audit did, and do, review the adequacy and effectiveness of the control framework in place for ensuring compliance with policies and procedures and make recommendations for improvement. IAD and DARA has regularly reviewed the control framework in relation to gifts and hospitality and contributed to the improvement of policy and procedures, as described below.

Gifts and Hospitality

29. The MPS governance arrangements for gifts and hospitality are relevant to the issues that are being considered by the Inquiry in its second module. There is no separate policy or arrangements governing hospitality between the MPS and the media; the MPS Gifts and Hospitality Policy and supporting procedures apply to the offer and acceptance of hospitality from all third parties, of which the media is one.
30. In providing assurance on the adequacy of the MPS control environment, the MPA's internal audit function reviewed the governance arrangements for dealing with offers of gifts and hospitality on the basis of the risk approach described above. The audit reviews involved evaluating the adequacy and effectiveness of the MPS internal control framework in place for dealing with offers of gifts and hospitality.
31. In 2001, the MPA IAD conducted its first review of the MPS gifts and hospitality control framework. The final report for the audit was issued to the MPS Assistant Commissioner Human Resources on 2 January 2002, and a copy of this report is attached as my Exhibit JN4. The overall conclusion of the audit was that the

control framework that was in place for dealing with offers and acceptance of gifts and hospitality needed to be significantly improved – adequate controls were not in place to meet the system objectives and controls were not being consistently applied. The IAD made 14 recommendations in relation to gifts and hospitality based on their findings, 13 of which were accepted by the MPS. The one recommendation that was not accepted was to place ownership of the policy with the MPS Directorate of Professional Standards (a recommendation I note that has now been made by the HMIC in their "Without fear or favour" report).

32. The implementation of the recommendations in the IAD's 2002 report by the MPS was monitored by the MPA Audit Panel. I attach as my Exhibit JN5 a letter dated 17 March 2003 from Sir John Quinton (then Chair of the MPA's Audit Panel) to the then Assistant Commissioner Bernard Hogan-Howe, which pointed out that three "high risk" recommendations from IAD's report dated January 2002 had not been implemented in relation to gifts and hospitality. Assistant Commissioner Hogan-Howe was invited to attend the next MPA Audit Panel meeting to provide an explanation. I note from the minutes of the subsequent Audit Panel meeting on 27 March 2003, a copy of which I attach as my Exhibit JN6, that Assistant Commissioner Hogan-Howe attended the meeting, apologised for the outstanding recommendations and assured the Audit Panel that the recommendations had largely been addressed, or would be addressed as from April 2003.
33. The follow up audit of the 2002 review was then conducted in May 2003 and reported in June 2003. The audit opinion at that time was that significant progress had been made (Exhibit JN7) to improve the control framework to manage gifts and hospitality in the MPS. Twelve of the 14 recommendations that had been made (13 of which were accepted) had been implemented. The recommendation that was not implemented by the MPS was one which related to including the gifts and hospitality obligations in a personal guide to issue to all officers and staff. However, we were informed that this would be implemented by July 2003. As this was not a high risk recommendation, the implementation of this recommendation would have been followed up as part of the next review. IAD also made one further recommendation – that the MPS HR board should review the impact of the new policy in six to twelve months' time.
34. As part of the 2006/07 audit plan, IAD carried out a further audit to evaluate the adequacy and effectiveness of the systems that were in place for managing offers of gifts and hospitality. IAD sought to provide assurance that the

appropriate controls were in place and that they were operating effectively. The final report is attached as my Exhibit JN8 and an executive summary of the objectives, audit opinion and key recommendations are set out on the first two pages of the report. As noted in the Director's covering memorandum to the MPS (Martin Tiplady, MPS Director of Human Resources), dated 5 September 2007 (and is also included in Exhibit JN8), the overall opinion was that the control framework itself was adequate, but there were a number of controls that were not operating effectively and improvements in implementing the framework were required.

35. A series of recommendations were made throughout the report, and an Action Plan was devised to deal with the issues found during the review (see page 8 of the report). All 15 recommendations for the MPS were agreed and one recommendation for the MPA was also agreed i.e. the Chief Executive of the MPA was to review the Commissioner's and Deputy Commissioner's gifts and hospitality register on a half yearly basis.
36. Independently of the formal internal audit reviews, in 2008/09 the IAD commented on the MPS's proposed revised policy and procedure in relation to gifts and hospitality. Attached to my statement as Exhibit JN9 is an email dated 19 December 2008 from Mark Woodley, a senior auditor, who had reviewed the recommendations made in his report of September 2007 against the proposed revised policy provided by the MPS. As can be seen from his email, progress had been made with implementing the recommendations from the audit report and this was reflected in the proposed revised policy, but there was a concern about the time it had taken to implement some of the recommendations.
37. Then on 23 March 2009, a report was submitted to the CGC by the MPS Director of Human Resources, on behalf of the Commissioner, in relation to amendments to be made to the gifts and hospitality Standard Operating Procedure (I attach a copy of the report as Exhibit JN10). The report stated that the MPS's review of their gifts and hospitality policy was prompted by two things; first, the requirement, which is placed on all organisations in accordance with the Race Relations (Amendment) Act 2000, to review policies at least every three years; and secondly, the policy needed to be more explicit in its application and should incorporate the giving (as well as the receiving) of corporate hospitality. The policy had not been reviewed since 2003/04. The report states, the MPS's proposed revision took into account the IAD's recommendations from its 2007 report.

38. The revisions to the policy are listed on page 2 of the report to the CGC and the report states they took effect on 28 January 2009. The revisions included the introduction of hardback or electronic gifts and hospitality registers and the review of entries in the registers. The Chief Executive of the MPA was also to review the registers maintained by the Commissioner and the Deputy Commissioner in line with the audit recommendation that had been made, although on a quarterly rather than half yearly basis. Responsibility for the review of the other members of management board was placed with the Deputy Commissioner and a tiered procedure applied for the review of other registers based on levels of seniority and appropriate line manager review within the MPS.
39. There was one recommendation that had been made by IAD but had not been taken on board, which related to the maintenance of a list of vulnerable posts e.g. those that were open to regular contact with third parties in the conduct of their work, for example procurement staff, contract managers. The MPS thought that this was unnecessary due to the implementation of the tiered register review process. IAD disagreed with this and this is something that was raised in later audits, as explained below.
40. The minutes of the CGC meeting on 23 March 2009 (copy attached as Exhibit JN11), at which this report was considered, show that Members noted that:
- the word 'family' was undefined;
 - protocols around alcohol were vague;
 - there were no timescales around when the register should be completed;
 - it did not state what should become of gifts;
 - registers should ideally be electronic and made available to the public;
 - there was no reference to a quality assurance process in the reporting of gifts and hospitality; and
 - there was insufficient guidance about what events could or could not be attended.
41. The minutes also show that the Director of Internal Audit felt that not all the comments made by IAD in relation to the policy had been included. As reflected in the minutes, it was agreed the CGC would acknowledge the progress made, but that it could not endorse the report. A further report was requested and the MPS undertook to provide a progress report at the next meeting.

42. In the event, a report dated 14 September 2009 by the MPS Director of Human Resources, on behalf of the Commissioner, which is attached as my Exhibit JN12, was presented to the September 2009 meeting of the CGC. It gave an update on the changes that had been made to the gifts and hospitality procedure following the comments of CGC members in March 2009. The report notes no changes had been made to the policy but the guidance documents annexed to the policy had been amended to take on board members of the CGC comments.
43. On the same occasion, a report was also presented to the CGC setting out the position with regard to the reporting by MPA Members and officers of gifts and hospitality and any personal or financial interests that might be relevant to the conduct of MPA business. I attach a copy of that report as my Exhibit JN13. I also attach a copy of the minutes from the CGC meeting on 14 September as Exhibit JN14. The minutes show that the CGC noted the current position with the MPA's interest, gifts and hospitality declarations and the future action proposed to increase the effectiveness and transparency of the reporting processes.
44. In November 2009, DARA issued a follow up report in relation to the MPS gifts and hospitality audit report that was issued in September 2007. The report detailed our findings following a review of the implementation of recommendations which had been taken forward by the MPS. The results of the follow up audit were reported to the MPS (Martin Tiplady, MPS Director of Human Resources) on 10 November 2009, attached as my Exhibit JN15. It was noted that significant progress had been made and the control framework over gifts and hospitality had improved; of the 16 recommendations made (all of which had been agreed), 13 had been fully implemented.
45. Finally, as part of the Audit Plan for 2011/12 approved by the CGC in March 2011, my Directorate conducted a further audit in relation to the gifts and hospitality which commenced in August 2011. By this point in time, there had been intense public scrutiny of the acceptance of hospitality by senior MPS officers in particular. The MPS Human Resources Directorate, within the Directorate of Resources, had also commenced a review of the MPS policy and procedures for gifts and hospitality. We worked in liaison with the Human Resources team, keeping them informed of our findings and advising on issues to be considered in their review of the policy and procedures.
46. The overall audit opinion following our review, as stated in the report (as attached as Exhibit JN16), was that the control framework in place for gifts and

hospitality was not operating effectively to mitigate key risks to protect the integrity and reputation of the MPS. The report identified that there were areas of effective control, namely:

- A policy and supporting procedures for the management of gifts and hospitality were in place and they were reviewed on a regular basis, and the current review was intended to give greater focus on consistency and transparency;
- Roles and responsibilities for the recording and monitoring of gifts and hospitality were clearly defined; and
- A number of locations we visited operated effective systems for the recording, approval and monitoring of gifts and hospitality.

47. Key risk issues for management action included:

- A number of senior police officers and staff had accepted gifts and hospitality which may have been in contravention of MPS policy;
- Inconsistency in the application of the policy and a lack of clarity in some aspects of procedures exposed police officers and staff to allegations of inappropriate behaviour and/or corruption by accepting gifts or hospitality;
- Police officers and members of staff, including Management Board, did not always provide a proper written justification as to why hospitality or a gift has been accepted. Generally, this aspect of records was not sufficient to explain the acceptance of hospitality and this left the MPS open to allegations of impropriety;
- Approval for the acceptance of gifts and hospitality was not generally properly recorded and evidenced. Early identification of potential issues did not, therefore, take place and this may have added to the level of inconsistency in the application of the policy;
- The recording of the receipt of gifts and hospitality varied across the MPS with some systems vulnerable to the risk of loss or alteration; and
- Ineffective review had meant issues with consistency and application of the policy had not been identified and addressed.

48. As noted in the report (paragraph 6.3), we reviewed the governance framework in place as a whole for all hospitality (and this included the media), but excluded

any hospitality from the media from our testing due to the review that was already underway by Elizabeth Filkin, given that her remit included "What, if any, hospitality is it acceptable for police officer/staff to receive or provide from/to the media?". Therefore, our review did not specifically address the issue of whether acceptance of gifts and hospitality from the media was in compliance with the policy. I refer later in my statement to my views on the findings and recommendations from Elizabeth Filkin's report.

49. The Action Plan attached to the report shows that 16 actions have been agreed with the MPS to improve the governance of dealing with gifts and hospitality, six of which we consider to be addressing high risks. The management response is contained within the Action Plan together with timescales for the implementation of the agreed actions. The Action Plan also stipulates the new arrangements in place under the MOPC: the Chief Executive of the MOPC will review the Commissioner and Deputy Commissioner gifts and hospitality records on a quarterly basis and the Audit Panel will review the output of the analysis of the published gifts and hospitality records on a quarterly basis.
50. A report on a revised gifts and hospitality policy by the MPS Director of Resources, on behalf of the Commissioner, was presented to the CGC on 12 December 2011, attached as my Exhibit JN17. As noted in the report, there had been extensive consultations with Staff Associations and MPS departments, as well as with DARA. The policy had been revised following these consultations. The policy had also taken into account the emerging findings from DARA's review (as mentioned above, we were liaising closely with the MPS during the course of this review).
51. The revised policy is more explicit. However, there is one element which I consider remains unclear, this being the justification for acceptance on the basis that refusal would cause offence or damage working relationships (paragraph 7.4 of the recent DARA report already attached as Exhibit JN16 refers). We have continued to seek greater clarity on how this criterion is to be applied in practice to support the acceptance of gifts and hospitality.

The Filkin Report

52. Elizabeth Filkin reported on 'The Ethical Issues Arising from the Relationship between Police and Media' in January 2012. There are several points made in her report which concur with the findings of our recent review of the MPS gifts and hospitality framework. In particular, point 3.3.5 (page 28 of the Filkin report)

states "There has been a lack of consistency in how some of the senior team in the MPS conduct their relationships with the media and how they view gifts and hospitality. This is clear from the wide variation in hospitality received by senior level police officers and staff as recorded in the MPS gifts and hospitality register, which was published for the first time in September 2011."

53. On the specific key findings and recommendations made in respect of gifts and hospitality and integrity within the MPS, I would comment as follows:

54. Key Finding 2

"The MPS senior team has not provided consistent leadership on the issue of media contact. The way that relationships with the media have been handled, including the receipt of hospitality, has resulted in mixed messages to staff about the standards expected of them. This has eroded trust within the organisation on the issue of how information is used and whether the right information reaches the public. It has increased the risk of improper disclosure to the media. If managers are not trusted they will be suspected of unethical relationships with the media and staff will not alert them to improper conduct or report mistakes."

Recommendation

"The MPS senior team must signal a change in culture and set a consistent example for all staff on the ethical standards they expect, including how they relate to the media and the interpretation of the gifts and hospitality register."

Our recent review of gifts and hospitality supports the view that there has not been a consistent approach to the acceptance of hospitality and the policy has been open to different interpretation. This is true for the acceptance of hospitality in the wider context.

I fully endorse the view that the MPS senior team must set the standards for ethical behaviour. The cultural change, however, needs to be embedded within the organisation. A great deal of change in leadership has and does take place at all levels within the MPS. However, there needs to be a consistent message in terms of the ethical standards expected of individuals that is supported by an infrastructure which does not waiver.

55. Key Finding 3

"The MPS has not taken enough notice of some of the issues which present the greatest ethical challenges for police officers and staff. There has been insufficient monitoring of those activities which can risk undermining corporate values and the reputation of the MPS. There has not been consistent leadership to help staff understand what is appropriate when making decisions about what they do."

Recommendation

"I recommend that the Commissioner delegates responsibility and resources to a member of his senior team to initiate change in the way the MPS approaches integrity and ethics issues at all levels. This role will provide the support and direction for staff to implement change and ensure improvements are tracked. This role holder will collaborate with the Public Information Champion. Responsibility for leadership on these issues is shared by all as peer pressure is the most effective way of improving behaviour."

I support the introduction of an integrity and ethics lead at the highest level within the MPS and would also stress that there has to be senior management "buy in" across the board. I understand the newly appointed Deputy Commissioner will be taking the lead for the MPS. He and I will be meeting on a regular basis and have agreed that there needs to be a strategic response to issues raised as a result of internal and external review activity to identify and address the underlying issues coherently and effectively. This will support the Deputy Commissioner in carrying out those functions described in the supporting advice referred to in page 51 of the Filkin Report.

HMIC Report – Without fear or favour

56. HMIC published its report 'Without fear or favour' in December 2011. The MPA internal audit function has regularly reviewed a number of the key areas referred to in the report, for example procurement, corporate charge cards, and as referred to above gifts and hospitality. We have also played a key role in promoting awareness and providing training around potential fraud and integrity issues in the MPS. From an internal audit perspective, I comment as follows on the areas contained in the Overview Section of the report (pages 7-20) that relate to our role and work.

Hospitality and Gratuities

57. I would agree with many of the points made; and our recent review of the MPS control framework (as referred to above) demonstrates that whilst there were policies and procedures in place, there was a lack of consistency in their interpretation and application. I also agree there is a need for greater analysis of gifts and hospitality records. I suspect a key issue here is that records are not maintained in sufficient detail or in such a way that records can be readily analysed. Now that the MPS are publishing their records on line we will be working with the MPS Professional Standards Directorate to analyse them and report on the outcome of these reviews to senior management and the Audit Panel of the MOPC and the MPS on a quarterly basis.
58. We have also recommended that more proactive work is done around analysing all offers received from suppliers (accepted and declined) to determine if any patterns emerge. We have pointed out that although the MPS policy is clear that no hospitality should be accepted during a procurement process, more needs to be done to inform individuals when a procurement exercise is actually underway. The policy also needs to define what interaction with suppliers is appropriate during the life of a contract, which can be for a significant number of years.
59. I think we also need to be clear on the role of Police and Crime Commissioners ("PCCs") and Chief Constables in respect of gifts and hospitality under the new arrangements. It is quite right that PCCs exercise effective oversight (and I would suggest the Audit Panel is an appropriately independent entity to carry this out on their behalf), but this must not be seen as replacement for management control of the system on a day to day basis. Strong leadership from the top supported by effective supervision and a clear statement of what is and what is not acceptable are key.

Procurement and Contracts

60. We have carried out a significant number of reviews in this area and historically compliance around procurement rules and regulations has been an issue for the MPS. A great deal has now been done to address this. The MPS has a professional central procurement department that has a high level of expertise and clearly defined policy and procedures around procurement activity. However, in my view, it is usually those that sit outside the specialist procurement area without the same level of knowledge that can create issues around compliance.

61. PCCs and Chief Constables will have to have clearly defined schemes of delegation governing procurement under the new arrangements and it is imperative that there continues to be transparency around key procurement decisions.
62. This section of the HMIC report also refers to corporate charge cards. There was previously significant abuse of the system in the MPS which has been widely reported. An investigation into the use of corporate charge cards began in October 2007. It ended in 2011 (as has been reported by the IPCC), with six officers having been convicted in criminal courts, plus two members of the public, and a further 34 having faced a variety of misconduct actions including dismissal. The MPA Forensic Audit Branch of the IAD played an integral part in the investigation, dedicating considerable resources and expertise to analyse the extent of the abuse and support the Professional Standards Directorate in their work. The MPA CGC received regular reports on the progress with the investigation. The investigation demonstrated that controls within the corporate charge card system had broken down and ineffective supervision and review was a major contributing factor. Significant changes have now been implemented to improve the system and these were regularly reported to the MPA CGC.
63. IAD and DARA have advised on the controls that needed to be built into the new system that has now been put in place to manage the use of the new corporate charge cards. We have also conducted a full review to give senior management assurance and further advice on areas to improve. We continue to carry out periodic reviews in this area. However, I would stress that effective supervision and management review on an on-going basis are what is needed to ensure the improvement continues and is sustained.

Secondary Business Interests and Risks

64. I agree there is a need for greater clarity and consistency in the application of standards in relation to business interests and secondary employment. The investigative work we have carried out in this area has shown that, historically, there was a lack of knowledge and understanding of the requirement to register such an interest and insufficient consideration was given to action that may need to be taken once an interest had been registered. Additionally, there was an absence of effective monitoring and the review process consisted solely of a self-declaration by the officer that there had been "no change". However, the MPS has recognised this and the process for approving and managing business interests has now been centralised under the Deputy Commissioner's Command,

and a process is now in place to pro-actively monitor review dates. There is also closer liaison with the MPS Professional Standards Directorate and Procurement Services; we continue to work with both and advise the MPS in developing the control framework for dealing with business interests.

Capability and Capacity to be Proactive

65. I agree with HMIC that anti-corruption activity should be retained at appropriate levels and would add that it is equally important that adequate resources are retained for internal audit activity. I have been fortunate in that I have been adequately resourced to provide an effective audit service. We also have an excellent relationship with the MPS Professional Standards Directorate, governed by a Memorandum of Understanding and this ensures the optimum use of all available skills and expertise. However, I am aware that some police authority internal audit functions are operating with limited and varying levels of resource. There is an opportunity moving into the era of PCCs for this to be addressed.
66. I agree that a greater level of proactive analysis across those areas identified in the report would improve the quality of intelligence around integrity issues (I note this point is also made by Elizabeth Filkin in her report). We feed our findings into the MPS organisational learning process and are seeking improved analysis of the underlying issues that lead to failures in control which are evident from our risk review and investigatory work, to inform future learning.
67. DARA itself has conducted its own fraud risk assessment to inform proactive analysis of those areas susceptible to fraud within the MPS. I presented these findings to the CGC on 10 October 2011 (attached as Exhibit JN18). Our work on this entailed examining over 200 business systems for risks and assigning a weighting based on a number of criteria, such as the level of income associated with the system and the number of staff who have access to the system. By applying a score to each, we were able to provide the CGC with data showing high, medium and low fraud risk areas of MPA or MPS business. This is being used to inform pro-active investigative and prevention work by my team and the MPS Professional Standards Directorate.

Governance and Oversight

68. I agree with the views expressed within the report in that effective governance plays an essential role in demonstrating the highest standards of integrity.

69. It is often the lack of effective supervision and management review that leads to a breakdown in controls and subsequent abuse of systems, and I agree that more effective oversight of integrity issues would be productive together with a greater focus on prevention.

Training

70. I agree that there needs to be more focus on training around integrity issues built into the recruitment process and, as suggested, the senior command course. I would also add that training could be extended to include key aspects of governance.
71. We have helped to train a variety of officers and staff (550 in total to date, with training for 300 more planned) of all ranks and grades to raise fraud awareness and to assist in preventing internal fraud. The MPS Management Board has taken part in this training programme. In 2009, the MPA and MPS jointly identified fraud awareness as a risk area where they sought to secure improvement. The Director of Internal Audit and the MPS Director of Resources subsequently sponsored a raising fraud awareness programme. This involved the Audit Commission running a series of workshops, assisted by the IAD Fraud Prevention Manager and MPS Finance Services, using their "Changing Organisational Culture" toolkit which includes the presentation and discussion of a number of ethical scenarios. The results of surveys conducted in support of the workshops are compared on a national level.
72. I attach a copy of the Audit Commission report dated May 2010, which summarised the outcome of the initial training programme, as Exhibit JN19. I note that one key message from the MPS survey was that respondents recognised that the MPA and MPS had a clear commitment to tackle internal fraud and corruption, but were slightly less convinced that this commitment was making a positive difference. An Action Plan to address areas of improvement was attached to the report. The May 2010 report was presented to the MPA CGC on 14 June 2010, who endorsed the programme and the agreed action plan, involving a second round of workshops in 2011. I attach a copy of the minutes from that meeting as Exhibit JN20.
73. A report summarising the output of the second series of workshops and noting progress on the action plan was then prepared by the Audit Commission in November 2011, a copy of which I attach as Exhibit JN21. This was reported to the CGC in December 2011 and a third series of workshops endorsed. The Audit

Commission report concluded that in most instances the MPS's results compared well with the national database of respondents, and that there was an effective anti-fraud message within the MPS. This training programme has been well received and I would endorse the use of similar programmes across policing.

Principal HMIC Recommendations

74. Recommendation 1 – *"Forces and authorities institute robust systems to ensure risks arising from relationships, information disclosure, gratuities, hospitality, contracting and secondary employment are identified, monitored and managed"*.

I agree that, as stated in the report, national standards and expectations for these areas of business would assist in promoting best practice and consistency. However, I would add that an effective risk management framework would enable Chief Constables and PCC's to look at a broader spectrum of risks to ensure effective action is being taken to mitigate each of them.

75. Recommendation 2 – *"There should be clear boundaries and thresholds in relation to these matters. Such limits should be consistent service wide."*

I agree that a clear service-wide message on what is and what is not acceptable would be a constructive way forward. In working with those involved in police governance to provide this clarity, I would encourage ACPO to consult with their internal audit professionals.

76. Recommendation 3 – *"Training courses should include appropriate input in relation to integrity and anti-corruption. In particular, given the importance of leadership to securing high standards of integrity (a theme which runs through this review) the Strategic Command Course (in January 2012) and the High Potential Development Scheme should encompass these issues"*.

I fully endorse this recommendation. Many recommendations made by internal audit over the years have related to the need to train officers and staff appropriately in such matters. The impact of effective leadership in terms of setting and maintaining the highest standards of integrity cannot be underestimated.

77. Recommendation 4 – *"Chief Officer teams should review their corporate governance and oversight arrangements to ensure that those arrangements are fulfilling their function in helping to promote their force in the delivery of objectives.."*.

There does need to be a greater focus on governance and I believe this will serve to increase public confidence in policing. Internal audit professionals have a vital role to play in helping to evaluate the effectiveness of governance arrangements and advising on the way forward. I would, therefore, encourage PCCs and Chief Constables to ensure that internal audit are consulted in effectively discharging this recommendation.

Conclusions and the Future

78. The above demonstrates that the MPS internal control framework for dealing with gifts and hospitality has improved over time. However, the effectiveness of that framework has been adversely affected by the inconsistent application and interpretation of policy and procedures in practice by some in senior positions. The need to operate effectively the controls that have been put in place to provide assurance around the integrity of the acceptance of gifts and hospitality, appears to be a consistent message arising from our audit work.
79. Our recent review of the MPS gifts and hospitality framework concluded ineffective management review of the acceptance of hospitality has meant that the inconsistencies in application and interpretation of policy were not adequately addressed. This view is supported by the outcome of the review conducted by Elizabeth Filkin and that of the HMIC referred to above.
80. In my view, there is no need for a separate governance process for dealing with hospitality between the police and media. The key is to apply consistently effective controls designed to protect the integrity of individuals and the organisation in dealing with all third parties in this respect.
81. It is clear that common themes have emerged from the HMIC review, Filkin Report and our work. In particular, the need for effective leadership on governance issues demonstrating the highest standards of integrity at the most senior level in policing. This should be supported by an effective risk management framework, a strategic approach to setting consistent standards of behaviour and integrity and effective training in these areas.
82. Looking to the future and the introduction of PCCs, and noting the legislative change that has already been implemented with the introduction of the MOPC in London, it is imperative that the governance arrangements and accountabilities are clearly defined and effectively discharged.

83. As I have previously stated, the work of internal and external reviewers is no substitute for effective management action and control. However, under the new legislative regime adequate resources must continue to be dedicated to essential review activity, which is invaluable in providing necessary assurance and identifying areas of improvement.
84. The Audit Panel for the MOPC and the MPS will play a key role in the oversight of gifts and hospitality going forward and in the wider context of enhancing public trust and confidence in the policing of London. It is important that Audit Panels across the country are properly constituted with the appropriate independent status to discharge effectively what is an essential role in the governance of policing.

Statement of Truth

I believe that the facts stated in this Witness Statement are true.

Signed ..



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Julia Norgrove

Dated

29th February 2012