Grant Thornton

Annual Audit Report
Scottish Police Authority

Financial year ended 31 March 2023

Prepared for those Charged
with Governance and the
Auditor General for Scotland

FINAL October 2023

Contents

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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 external audit 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 Scottish Police Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2021). 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.

Executive Summary

This table summarises the key findings and other matters arising from the external audit of the Scottish Police Authority (SPA) and the preparation of the financial statements for the year ended 31 March 2023 for those charged with governance (Audit, Risk and Assurance Committee) and the Auditor General for Scotland.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- SPA's financial statements give a true and fair view in accordance with the Police and Fire Reform (Scotland) Act 2012 and directions made thereunder by the Scottish Ministers of the state of the body's affairs and its net expenditure for the year;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (FReM) and the Police and Fire Reform (Scotland) Act 2012;
- In all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers; and
- the Performance Report and Governance Statement is prepared in accordance with the Police and Fire Reform (Scotland) Act 2012 and directions made thereunder by the Scottish Ministers and is consistent with the financial statements.

We are required to report whether other information published together with the audited financial statements, including the Remuneration and Staff Report, in the Annual Report and Accounts is consistent with the financial statements and has been prepared in accordance with the requirements.

Our audit work was completed during July-August. Our findings are summarised on pages 6 to 45. Subject to the conclusion of outstanding matters listed below, we have identified three audit adjustments to the financial statements that have impacted on the SPA's reported financial position, in the unaudited accounts. This has resulted in a £752m increase to the reported total comprehensive net expenditure position at 31 March 2023 and a £389m decrease to the reported total comprehensive net expenditure position at 31 March 2022.

We have also identified a small number of unadjusted misstatements during the audit from our testing to date. They are individually and cumulatively well below our materiality thresholds. Management have decided not to adjust the financial statements as the misstatements are not material.

Audit adjustments are detailed in Appendix 1.

We have also raised recommendations for management as a result of our audit work in Appendix 2 and 3. Our follow up of recommendations from the prior year's audit are detailed in Appendix 4.

Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion.

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

The quality of the annual report and accounts as well as supporting working papers provided to audit were of a good standard.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and their responsiveness in completing the external audit.

Introduction (1)

Scope of our audit work

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to the Scottish Police Authority and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

This Annual Audit Report 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 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Audit, Risk and Assurance Committee in September 2023.

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.

Responsibilities

The Scottish Police Authority has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. The Scottish Police Authority is also responsible for compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Audit Scotland, are set out in the Code, supplementary guidance, and International Standards on Auditing in the UK.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve officers from their responsibility to address the issues raised and to maintain an adequate system of control.

Audit approach

Our audit approach was based on a thorough understanding of the Authority and is risk based, and in particular included:

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

Adding value through our audit work

We aim to add value to the Scottish Police Authority throughout our audit work by

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our wider scope work
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
- sharing good practice through our public sector knowledge and expertise as auditors of a large number of police authorities throughout the UK.

Introduction (2)

Wider scope

Under the Audit Scotland Code of Audit Practice ('the Code'), the scope of public audit extends beyond the audit of the financial statements. The Code requires auditors to consider the Scottish Police Authority's arrangements in respect of financial management, financial sustainability, vision, leadership and governance and use of resources to improve outcomes.

In our External Audit Plan for the year ended 31 March 2023 we documented our assessment of the wider scope risks and planned audit work. At the planning stage we identified a significant risk relating to financial sustainability.

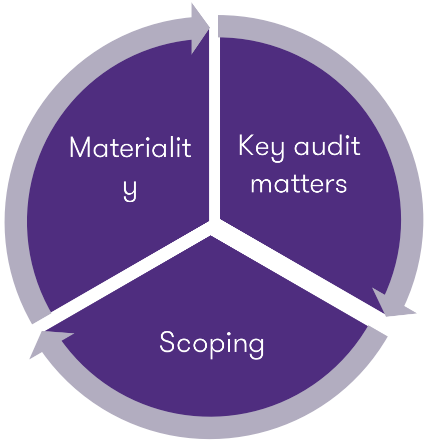
We outline our work undertaken in response to the arrangements in place and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out. We have not identified any additional significant risks from our review carried out subsequent to our planning and risk assessment.

Further details of the work undertaken are outlined on pages 30 to 43.

We have raised four recommendations for management as a result of our audit work on wider scope. These are set out in Appendix 3.

Audit of the annual report and accounts

Our approach to the audit of the financial statements



Key audit matters and Significant Risks

Key audit matters were identified as the following significant risks:

- Management override of controls;
- Risk that expenditure, including operating expenditure and associated creditor balances is not complete;
- Valuation of the net pension liability;
- Valuation of land and buildings; and
- The revenue cycles includes fraudulent transactions (rebutted).

Other risks identified in our audit plan that are not considered key audit matters or significant risks include;

- Implementation of IFRS 16
- Accounting of legal provisions

Internal control environment

In accordance with ISA requirements, we have developed an understanding of the Scottish Police Authority's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature. In accordance with ISAs, over those areas of significant risk of material misstatement we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing. We identified no material weaknesses from this work which would have caused us to alter the planned approach as documented in our plan.

Recap of our audit approach and key changes in our audit strategy

We have not identified any changes in our approach since our Audit Plan presented to you on 31 March 2023. The risks identified remain the same.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. 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.

Our audit approach was set out in our audit plan.

- We reviewed and updated our assessment of materiality from planning based upon your 2022/23 draft financial statements and concluded that materiality is £17,717,600 representing 1.2% of gross expenditure.
- Performance materiality was set at £11,516,440 representing 65% of our calculated materiality.
- We report to Officers (Management) any difference identified over £250,000 in line with Audit Scotland requirements.
- We applied a lower materiality threshold for disclosures within the Remuneration Report to Senior Officer and Board Member Remuneration Tables due to the sensitive nature of this disclosure, the lower materiality applied to this area was £25,000.

There is a change in materiality values since our final audit plan was communicated to you on 31 March 2023 as final expenditure for 2022/23 was used as the basis of the calculation. The percentage chosen for higher materiality remains unchanged however we increased the percentage applied for performance materiality from 60% to 65% as we were satisfied from our risk assessment and planning work that there was an appropriate control environment in place at the Authority.

Detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

During the course of the audit, our procedures undertaken included:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scottish Police Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2022/23 HM Treasury Financial Reporting Manual (FReM).
- We enquired of Senior Officers and the Audit, Risk and Assurance Committee through email confirmation, concerning the Scottish Police Authority'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 and the Audit, Risk and Assurance Committee through email confirmation, 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 Scottish Police Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We have reviewed the principal risks to journal entries that could alter the Scottish Police Authority's financial performance for the year and the risk of fraud in expenditure recognition. Our audit procedures are documented within our response to the significant risk of management override of controls.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from 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.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in revenue recognition and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - Scottish Police Authority's operations, including the nature of its operating revenue 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.
  - Scottish Police Authority and Police Scotland's control environment, including the policies and procedures

Overview of audit risks

The table below summarises the key audit matters, significant and other risks discussed in more detail on the subsequent pages.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Testing approach	Status of work to date
Management override of controls	Significant	↔	✓	✓	Low	Substantive	● Green
Completeness of expenditure	Significant	↔	✓	✓	Medium	Substantive	● Green
Valuation of the pension fund net liability	Significant	↔	✗	✓	High	Substantive	● Amber*
Valuation of Land and Building Assets	Significant	↔	✗	✓	High	Substantive	● Green
Implementation of IFRS 16	Other	↔	✗	✗	Low	Substantive	● Green
Accounting of legal provisions	Other	↔	✗	✗	Low	Substantive	● Green

*Due to a significant increase in the discount rate from the prior year, the actuary has determined a significant reduction in the pension liability which has resulted in a pension asset for staff included within the LGPS. The amount of any net defined benefit asset that an entity can recognise is limited to a ceiling which is the present value of those future benefits, this is covered under *IFRIC 14- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* .

This is a national issue that is new and complex and therefore requires consideration by a significant number of admitted bodies.
This has resulted in a material adjustment to the financial statements.

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

Green - Not considered likely to result in material adjustment or change to disclosures within the financial statements
Amber - Potential to result in material adjustment or significant change to disclosures within the financial statements
Red - Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks and Key Audit Matters (1)

Responding to significant financial statement 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 External Audit Plan.

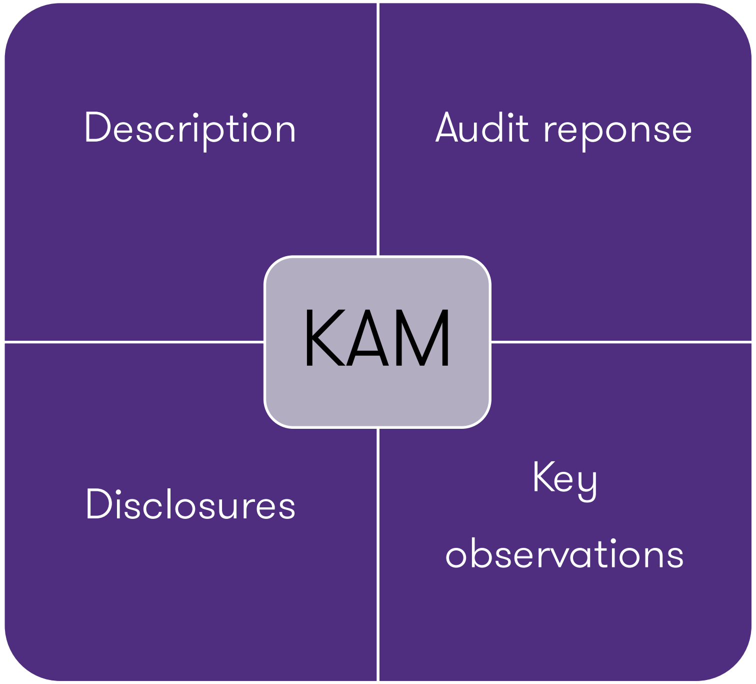
Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Authority's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

These matters included those that had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Description

Audit reponse

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Disclosures

Key observations

Other risks

Other risks are, in the auditor's judgment, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Significant risks and Key Audit Matters (2)

Other significant risks identified in our Audit Plan	Commentary
Management override of controls As set out in ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions. Our work focuses on journals, critical estimates and judgements, including accounting policies, and unusual transactions.	In response to the risk highlighted in the audit plan we carried out the following work: • Documented our understanding of and evaluated the design effectiveness of management's key controls over journals; • Analysed your full journal listing for the year and use this to determine our criteria for selecting high risk journals; • Tested the high risk journals we have identified; • Gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness; • Gained an understanding of the key accounting estimates made by management and carried out substantive testing on in scope estimates. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Conclusion **Our work has not identified any material issues in relation to management override of controls. We are satisfied from our work performed that there has been no identified instances of management override of controls that would result in a material misstatement of the financial statements.**
The revenue cycle includes fraudulent transactions As set out in ISA (UK) 240 (Revised May 2021) there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. (rebutted)	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Scottish Police Authority, we have determined that the risk of fraud arising from revenue recognition for all revenue streams can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of police authorities, including the Scottish Police Authority, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Scottish Police Authority. Conclusion **Our work has not identified any material issues in relation to revenue recognition.**

Significant risks and Key Audit Matters (3)

Other significant risks identified in our Audit Plan	Commentary
Risk that expenditure, including operating expenditure and associated creditor balances is not complete (Practice Note 10) Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially where you are required to meet financial targets. We consider this gives rise to the following risks: • The risk that expenditure, including operating expenditure and associated creditor balances is not complete. These risks arise from the pressure to meet financial targets. We have rebutted this risk in relation to payroll expenditure stream as we deem the opportunity to manipulate completeness of payroll expenditure in a material way to be low.	In response to the risk highlighted in the audit plan we carried out the following work: • Evaluated the design and implementation effectiveness of the accounts payable system. • Evaluated the design and implementation effectiveness of your system for recording accruals. • Verified that the operating expenses included within the financial statements are complete via review of the reconciliations between the Accounts Payable system and the General Ledger. • Searched for unrecorded liabilities by performing a substantive sample test of invoices input on to the accounts payable system post period end. • Searched for unrecorded liabilities by reviewing cash payments post period end. **Conclusion** Within our testing of bank payments, we identified one item within our sample where the expenditure occurred in 2023/24 but had been accrued for in 2022/23 and therefore accounted for within the incorrect financial year. Within our testing of invoices received post year end, we identified one item within our sample where the expenditure was incurred in 2022/23 but had not been accrued for and was instead accounted for in 2023/24. We extended our sample testing and identified no further errors. In both errors identified the expenditure related to Forensic Services and from our audit work conducted have isolated the errors to this area. Management have carried out an investigation and identified a weakness in controls with regards to how expenditure is communicated to finance colleagues by Forensic Services to ensure expenditure is appropriately accrued and accounted for in the correct financial year. The estimated impact of expenditure incurred by the Forensic Services department relating to 2023/24 which was receipted and accrued for in the incorrect financial year is £26k. Management also reviewed the invoice register for expenditure that occurred in 2022/23 but was not accrued for. This resulted in one further invoice being identified of £3k. We are satisfied this is not material. We have raised a control recommendation in relation to this issue identified in Appendix 2.

Significant risks and Key Audit Matters (4)

Other significant risks identified in our Audit Plan

Valuation of the pension fund net liability

The Police Officer Pension schemes and Local Government Pension Scheme (LGPS) pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.

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. As noted above, the appropriateness of the assumptions proposed by the actuary is covered by the TAS actuarial standards. 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.

Commentary

In response to the risk highlighted in the audit plan we carried out the following work:

- Obtained an understanding of the processes and controls put in place by management to ensure that the pension fund net liability/asset is not materially misstated and evaluate 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 SPA to the administering authority to estimate the liability;
- Tested the consistency of the pension fund net liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as an auditor's expert) and performing any additional procedures suggested within the report.

(See next slide for our results)

Significant risks and Key Audit Matters (5)

Other significant risks identified in our Audit Plan | **Commentary**

Valuation of the pension fund net liability (continued)

Our results

We have undertaken procedures to respond to the work highlighted above and identified the following issues:

- Prior period adjustment to 31 March 2022 police pension fund liability.

GAD (reporting actuary for the police pension fund), identified a discrepancy between the pensionable payroll from valuation data and the payroll data included within the annual accounts as part of the 2021/22 resource accounts. Initially management were unable to identify the reasons for the discrepancy and applied an uplift of 5% to active member's liabilities for 21/22 to allow for the increase in liabilities. After investigation by both GAD and SPPA it was identified that member data and salary information provided by the SPPA to GAD as part of the triennial valuation were incorrect. Using the updated membership data GAD have estimated that the impact on the police pension scheme liability is a reduction of £389m for 2021/22. Given the materiality of this figure a prior period adjustment has been accounted for within the financial statements. The adjustment for 2021/22 has also impacted 2022/23 resulting in a decrease in the pension liability of £9.1m, this has been adjusted for in the financial statements.

- Local Government Pension Scheme (LGPS) Net Asset Position

Due to a significant increase in the discount rate from the prior year, the actuary has determined a significant reduction in the pension liability which has resulted in a pension asset for staff included within the LGPS. The amount of any net defined benefit asset that an entity can recognise is limited to a ceiling which is the present value of those future benefits, this is covered under *IFRIC 14- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* .

This is a national issue that is new and complex and therefore requires consideration by a significant number of admitted bodies.

The SPA have engaged with Hymans Robertson to undertake the IFRIC 14 calculation for the LGPS pension asset. This has resulted in a ceiling cap to be applied of £47.086m. The draft accounts currently reflect a LGPS asset position of £420m therefore an adjustment of £373m has been made to the draft accounts to reduce the pension asset for LGPS and overall increase the pension liability within the statement of financial position.

An additional disclosure has been made to the key sources of judgement and estimation uncertainty note to reflect the key assumptions and judgements made by the actuary in calculating the asset ceiling cap in line with IFRIC 14 requirements.

- Asset values within the LGPS

The IAS19 actuarial report for the LGPS bases the valuation on quarter three asset returns from the eight pension funds that SPA staff are members of. The actuary has calculated that the difference between the asset returns used in quarter three and estimated for year end compared to the actual returns for asset values as at 31 March 2023 would result in a £7.3m increase in the share of scheme assets for the SPA. This is not material therefore an updated actuary report has not been obtained.

Significant risks and Key Audit Matters (6)

Other significant risks identified in our Audit Plan	Commentary
Valuation of land and buildings In accordance with the HM Treasury Financial Reporting Manual (FReM), subsequent to initial recognition, the Scottish Police Authority (SPA) is required to hold property, plant and equipment on a valuation basis. The valuation basis used will depend on the nature and use of the assets. Specialised land, buildings, equipment, installations and fittings are held at depreciated replacement costs, as a proxy for fair value. Non-specialised land and buildings, such as offices, are held at fair value. The SPA appoint Graham and Sibbald to undertake a rolling programme of valuations across their asset base, valuing land and buildings at least once every five years. As at 31 March 2022, the SPA held property, plant and equipment (PPE) of £520 million including land and buildings £396 million. Given the significant value of the land, buildings and dwellings held by the SPA and the level of complexity and judgement involved in the estimation process, there is an inherent risk of material misstatement in the year end valuation of some of these assets. However, the risk is less prevalent in other assets as these are generally held at depreciated historical costs, as a proxy of fair value and therefore less likely to be materially misstated. We will therefore focus our audit attention on assets that have large and unusual changes in valuations compared to last year and / or unusual approaches to their valuations, as a significant risk requiring special audit consideration.	In response to the risk highlighted in the audit plan we carried out the following work: • Evaluated the valuer's processes and controls for the calculation of the valuation estimates, the instructions issued to the valuer and the scope of their work; • Engaged our own valuations expert to assess the instructions issued by the SPA to your valuers, the final valuers' report and the assumptions used that underpin the final valuations; • Evaluated the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets were substantively tested to ensure the valuations are reasonable; • Challenged the key data and assumptions used by management's experts in the valuation process for these assets; • Tested a selection of other asset revaluations made during the year to ensure they have been input accurately into the entity's asset register, and the revaluations have been correctly reflected in the financial statements; and • Evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. **Conclusion** We identified from testing performed that the valuer (management's expert) had included the value of an asset incorrectly into the valuation report as £6.15m instead of £6.615m therefore representing a £465k understatement of assets. This error was picked up in one sample item out of a total sample tested of 19 assets. The sample error identified was picked up in our significant risk population of assets that were selected due to large and unusual movements. We did not identify any other input errors made through our sample testing and therefore satisfied this does not materially impact the value of assets included within the financial statements. (See next slide for continuation of our results)

Significant risks and Key Audit Matters (7)

Other significant risks identified in our Audit Plan	Commentary
Valuation of land and buildings	**Conclusion (continued)** We also identified from testing performed that the valuer has included an uplift of 3% for financing costs to all assets revalued. SPA's capital spend is not funded through borrowing and instead is funded by way of capital grants from central government. RICS guidance also states that under the 'instant build' approach (prescribed for the public sector), an allowance for finance costs is not required. We have estimated that the potential impact of financing costs applied to asset valuations that should not have been included is £3.78m resulting in an overstatement of asset values included within the financial statements. **We have not identified any material issues impacting the valuation of land and building assets.**

Observations in respect of other risks

This section provides commentary on issues and risks which were identified within the Audit Plan that were not considered significant risks.

Other risks identified in our Audit Plan	Commentary
Implementation of IFRS 16 (existence, accuracy and completeness) IFRS 16 was implemented by central government bodies under the FReM from 1 April 2022. Under IFRS 16 a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. This will result in significant changes to the accounting for leased assets and the associated disclosures in the financial statements in the year ended 31 March 2023.	In response to this other risk we have carried out the following work: • Obtained an understanding of how the SPA has established systems and processes to capture the data required to account for right-of-use lease assets in accordance with IFRS 16 • Reviewed the revised accounting policies for the year ended 31 March 2023 to reflect the requirements of this accounting standard. • Assessed the existence, accuracy and completeness of the right-of-use assets and associated lease liabilities, and the related disclosures, during our audit. **Conclusion** We identified that the disclosure within the draft accounts did not include the average weighted incremental borrowing rate or a reconciliation between the prior year operating lease commitments and the opening right of use asset in line with FREM disclosure requirements. Management have agreed to include disclosure of this within the notes to the accounts. **No material issues have been identified as a result of our work performed in this area.**
Accounting of legal provisions (completeness and valuation) There is an expected increase in legal costs in the 2022/23 financial year as a result of ongoing police inquiries. An increase in legal costs may result in provisions requiring to be recognised within the financial statements therefore we have identified an other risk relating to the completeness of legal provisions. The previous year annual audit report identified various issues with the legal provision including provisions being valued on a prudent basis rather than a 'best estimate' as required by IAS 37.	In response to this other risk we have carried out the following work: • Reviewed legal costs in year and assessed whether there are any material undisclosed provisions or contingent liabilities • Reviewed provisions accounted for in the financial statements and obtained an understanding of how provisions have been calculated and whether these have been measured in line with the 'best estimate' requirements of the accounting standards. **Conclusion** We identified a formula error within management's working where amounts used was stated as £227k but should have been calculated as -£227 therefore resulting in a £453k overstatement in provisions. We also identified a disclosure misstatement were the provisions note outlines the 22/23 provisions balance as negative £15,550, this instead should be a positive figure. **No material issues have been identified as a result of our work performed in this area.**

Financial Statements – key judgements and estimates (1)

As required in the Scottish Police Authority's Accounting Polices note, management outline critical judgements in applying accounting policies and in addition, assumptions about the future and other sources of estimation uncertainty. In particular, where estimates and judgements are identified, these should be quantified.

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

Assessment

● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated

● [Orange] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

● [Yellow] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Financial Statements – key judgements and estimates (2)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land, Building and Investment Property valuations – £169.5m	Land and buildings comprises specialised assets such as police stations, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The SPA also hold other assets including investment properties, surplus assets, assets held for sale, finance leases and residential properties which are valued at market value. The SPA have engaged Graham and Sibbald to complete the valuation of land and building assets as at 31 March 2023 on a five yearly cyclical basis. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 March 2022, based on a desktop exercise to determine whether the value of properties has materially changed. Management's assessment of assets not revalued has identified no material change to the property values. We have reviewed management's assessment as well as used market indices to determine whether there has been a material movement in valuation between the last valuation date and the year end date. We have quantified the expected movement in value of land and building assets from their latest valuation to 31 March 2023 valuation as being £11.6m and therefore we are satisfied that there is no material issue arising as a result of land and building assets being valued on a cyclical basis.	We reviewed your assessment of the estimate considering: • 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 property market trends, and reasonableness of the decrease in the estimate; and • Adequacy of disclosure of estimate in the financial statements. **(See next slide for our results)**	🟩 Green

Financial Statements – key judgements and estimates (3)

Significant judgement or estimate	Audit Comments	Assessment
Land, Building and Investment Property valuations – £169.5m	**Conclusion** Management have not disclosed the requirements of IAS 1 in relation to assumptions underpinning estimation uncertainty within the Key Sources of Estimation uncertainty note to the accounts. Management has agreed to update disclosure to ensure disclosure requirements are in line with IAS 1. Land and Building valuations As outlined within the significant risk and key audit matters section within pages 16 and 17 of this report we identified an input error resulting in £465k understatement of assets as well as an uplift of 3% for finance costs which should not have been applied resulting in an estimated £3.78m overstatement of assets. We are satisfied that both errors identified are not material to the financial statements. **We are satisfied that the estimate of your land and buildings valuation is not materially misstated.** Investment Property valuations Our testing of investment properties identified that a number of assets had been valued at depreciation replacement cost (DRC) rather than fair value (FV) which is the most appropriate basis for investment properties. These assets are used both operationally as well as rented out for rental income. SPA have agreed that a judgement is required to be made as to whether these assets should be classified as investment property (and therefore should be valued at fair value rather than DRC) or should be classified as operational land and buildings (and therefore continue to be valued at DRC however classification of the asset should change). An action plan recommendation has been raised relating to this issue in Appendix 2. The total value of investment property assets valued at DRC is £1.4m therefore satisfied this does not have a material impact on the financial statements. **We are satisfied that the estimate of your investment properties valuation is not materially misstated.**	Green

Financial Statements – key judgements and estimates (4)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability £12,841m	The SPA's net pension liability at 31 March 2023 comprises 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 (-£13,262m). The liability also includes the LGPS staff scheme which has recognised an asset position for 22/23 (£420.3m). The SPA engages with GAD (Police Pension Scheme) and Hymans Robertson (LGPS) to provide actuarial valuations of the liabilities derived from these schemes. The actuary utilises key assumptions such as life expectancy, discount rates and salary growth. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £12,053m net actuarial gain during 2022/23, this significant movement is largely due to the increase in discount rate applied by the actuaries.	• We have obtained an understanding of the processes and controls put in place by management to ensure the SPA'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 SPA to the administering authorities to estimate the liability; • We have used PwC as our auditors expert to assess the actuary and assumptions made by actuary. Assumptions applied have been found to be within the appropriate range by our auditor's expert and we have determined the overall assessment of assumptions applied as reasonable. • We have tested the consistency of the pension fund net liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • We have assessed the reasonableness of decrease in estimate. **Our results** As reported within slides 14 and 15 of this report, we have identified a prior period adjustment relating to incorrect data provided by SPPA to the reporting actuary (GAD) which has resulted in a £389m reduction in the police pension scheme liability for 2021/22. The adjustment for 2021/22 has also impacted 2022/23 resulting in a decrease in the pension liability of £9.1m. The LGPS scheme have also reported a pension asset as a result of the increased discount rate applied to the valuation of the LGPS for staff. A ceiling cap of £47.086m has been calculated in line with IFRIC 14 requirements resulting in an audit adjustment of £373m has been made to decrease the pension asset included within the financial statements. Further detail is set out on pages 14 and 15 of this report. We obtained pension protocol assurance letters from pension funds that SPA staff are members of. Errors were identified in the asset values of three pension schemes resulting in a £3.5m understatement of the SPA's share of pension net assets. We are satisfied this is a non-material issue for the SPA.	Amber

Financial Statements - key judgements and estimates (5)

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

Financial Statements - key judgements and estimates (6)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Accruals including the annual leave accrual and pension top-up accrual (continued)	Pension Top-up Accrual: The accrual is a calculation based on the amount accrued from the previous year, the amount received in cash from the Scottish Government 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 Scottish Government to determine the outturn for the current financial year. Annual leave accrual: The annual leave accrual is calculated based on the hourly rate multiplied by the outstanding annual leave balances for police officers and staff. The overtime accrual is based on rest days balance. Under SPA and Police Scotland HR policies, staff are able to carry forward 5 rest days maximum into the next period. Rest days for all staff/officer's are obtained from the HR system (restricted to 5 days) and multiplied by the base hourly rate per individual.	Our work in respect of the estimate of your accruals has not identified any material issues.	Green
PFI Liability	PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM , are accounted for as 'on-Statement of Financial Position' by the entity. The PFI liability is determined by the original financial model updated for inflation and relevant variations. The source data is derived from the financial model. Estimates are used for un-invoiced variations (or credits for insurance) based on estimates provided at the time of the variation.	Our work in respect of the estimate of your PFI liability has not identified any material issues.	Green

Other key elements of the financial statements (1)

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or due to their complexity or importance to the user of the accounts:

Issue	Commentary
Matters in relation to fraud and irregularity	It is the Scottish Police Authority's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding SPA's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquiries of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of the Scottish Police Authority's accounting policies, accounting estimates and financial statement disclosures. We have identified disclosure adjustments required to the financial statements which have been detailed in Appendix 2.
Matters in relation to related parties	We have identified one related party that was disclosed which is no longer considered a related party and therefore has been removed from the disclosure note. We are not aware of any related parties or related party transactions which have not been disclosed in the final version of the accounts.
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. We have not identified any cases of money laundering or fraud at the Scottish Police Authority.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We have no issues to report. We plan to issue an unmodified opinion in this respect.

Other key elements of the financial statements (2)

Issue	Commentary
Governance statement	We are required to report on whether the information given in the Governance Statement is consistent with the financial statements and prepared in accordance with the requirements of the Financial Reporting Manual (FReM). No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect.
Remuneration Report	We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have identified that the exit packages note within the Remuneration Report contains an error where the exit package disclosed is greater than the amount per supporting records obtained. Management has agreed to amend the exit packages note to correct for this error.
Matters on which we report by exception	We have no matters in which to report by exception.
Opinion on other aspects of the annual report and accounts	We are required to given an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been properly in accordance with the requirements of the Financial Reporting Manual (FReM), and directions thereunder. We have not identified any issues and we plan to issue an unmodified opinion in this respect.
Regularity	The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance Accountability (Scotland) Act 2000. In our opinion in all material aspects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.
Written representations	A letter of representation has been requested from the Scottish Police Authority as required by auditing standards. This can be found as a separate item to this report.

Other key elements of the financial statements (3)

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 2022). The Financial Reporting Board 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 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 the Company meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management's (senior officer's) assessment of the appropriateness of the going concern basis of accounting and conclude that: • a material uncertainty related to going concern has not been identified • management's (senior officer's) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
National Fraud Initiative	The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. Participating bodies, including the Scottish Police Authority, receive matches for investigation. As part of our audit work in the current year we considered the progress made by the SPA in investigating matches. The SPA has put processes and arrangements in place to investigate matches. Appropriate personnel are involved in the process. An annual progress update is provided to the Audit and Risk Committee to provide oversight and assurance over the NFI process.
Other returns to Audit Scotland	In accordance with the Audit Scotland Planning Guidance, as appointed auditors we have prepared and submitted Fraud Returns and have contributed to shared intelligence for a central government sector meeting and Technical Guidance Notes. There is nothing we need to bring to your attention in this respect.

Other findings – 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

			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
eFinancials	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	All significant risks
iTrent	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	Valuation of the net pension liability/asset
Real Asset Management 4000 (RAM)	ITGC assessment (design and implementation effectiveness only)	● Green	● Amber	● Green	● Green	Valuation of land and building assets

RAM- A control deficiency relating to the high number of users with access to Assets 4000 system was identified with the risk that user access may not be appropriately aligned to job role requirements and may lead to inappropriate access being gained to the database and / or inappropriate changes being made to underlying data. Our IT audit procedures identified 268 active user accounts (individuals and generic) with sysadmin access to the underlying SQL server and database supporting Assets 4000 through group memberships in Active Directory. 200 of those users had been granted access through two or more group memberships. Following the finding and performing additional inquiries, we identified the number of users accounts with access to SYSADMIN during the audit to be 67 (some of these were duplicated in different groups, so by removing within a group does not decrease the total number of users). Further work was done by the SPA to remove 54 members of a legacy support group and 3 users no longer requiring access, resulting in a core group of 14 users and 10 service accounts.

Assessment

- ● Red - Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Amber - Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● Green - IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Grey - Not in scope for testing

Wider scope conclusions

Wider scope audit (1)

This section of our report sets out our conclusions from our audit work on the wider scope audit dimensions. We take a risk based audit approach to wider scope. Within our audit plan we identified one wider scope risk in relation to financial sustainability.

As part of our ongoing audit planning audit work during the year we have not identified any additional wider scope audit risks.

Wider scope dimension

Financial Management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Plan risk

No significant risks identified.

Wider scope audit response and findings

Financial Management- Revenue

The Authority approved a revenue budget of £1,255.2million for 2022/23 which was later adjusted upwards to reflect additional funding to support the pay deal for police officers and staff. The final agreed budget was £1,287.6million. The actual outturn for 2022/23 was a balanced position however, there were several offsetting variances resulting in this financial position.

Revenue Outturn	Budget £million	Outturn £million	Variance £million
Police officer costs	876.8	868.2	8.6
Police staff costs	237.6	238.2	(0.6)
Non-pay costs	164.0	176.4	(12.4)
Income	(37.3)	(44.2)	6.9
Total Police Scotland	1,241.1	1,238.6	2.5
Forensic Services	41.7	40.6	1.1
SPA Corporate	4.8	4.7	0.1
Operation Unicorn	0.0	15.4	(15.4)
Net Expenditure	1,287.6	1,299.3	(11.6)
Funding core revenue grant	1,282.8	1,282.8	0.0
Funding non-core revenue grant (net)	4.8	1.0	3.8
Funding operation unicorn	0.0	15.4	(15.4)
Funding total	1,287.6	1,299.2	(11.6)

Police officer costs were underspent by £8.6million due to FTE numbers being lower than the budget assumptions. Non-pay costs were £12.3million over budget due to unbudgeted legal claims being approved and accrued in year as well as higher fuel prices, property repairs and utility costs as a result of inflation increases. £15.4m of operational costs resulting associated with the passing of Her Majesty the Queen (Operation Unicorn) were covered by His Majesty's Treasury (HMT). Excluding these costs there was an overall underspend of £3.8million which SPA returned to Scottish Government.

Conclusion

The SPA achieved a balanced budget for 2022/23. Significant underspends were noted in police officer costs with netting overspends in non-pay costs. Our review of budgeting procedures and financial monitoring processes has not identified a weakness in budgeting arrangements and we are satisfied that gross variances from budget were appropriately managed in year to deliver a balanced budget.

Wider scope audit (2)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial management (continued)		Financial management- Reform and Capital SPA were allocated £25million of reform funding from the Government to support the change and transformation programmes of Police Scotland. The 2022/23 year end outturn resulted in £3.6million underspend against budget due to lower levels of spend associated within transformation resource (£2.7million), alongside amendments to a number of transformation programmes. SPA set a budget of £57.8million in relation to capital spend for 22/23 as a result of £50.1million Government funding (including £4.6m reform funding), £5.2m funding for IFRS16 transition adjustments and £2.5m receipts from anticipated sales. The outturn position for 22/23 was £60.8m resulting in a £3m overspend against budget. The overspend related to additional investment in fleet as well as other IFRS 16 technical non-cash adjustments. As a result of overprogramming in the capital and reform budgets £30m of the 22/23 capital budget and £6.5m of the 22/23 reform budget is being phased over a number of years. Ultimately the capital plan is being managed through agreeing capital expenditure in excess of the budget allocated in year and phasing this into future years which is not a sustainable position. See further commentary in capital funding (page 35).	We have not identified any significant issues with the financial management of managing the in-year spend of reform and capital budgets however we have identified issues relating to overprogramming of capital budgets which is being managed through phasing of capital projects and programmes into future years without the agreed funding allocation. Refer to Financial Sustainability- Capital section for further details.
		Financial Management Arrangements Financial performance is reported to the Resources Committee as an integral part of the budgeting and financial management process. It compares assumptions that were used to develop the budget to actual activity (income and expenditure) during the year. Where assumptions are determined unrealistic or change, significantly, from budget, this is captured and this learning built into the following year's budget setting process. Committee members are provided with the opportunity to review, challenge and scrutinise financial performance. The finance team at Police Scotland and the Authority have access to real time information through the finance ledger systems to provide accurate and timely financial monitoring reports. Internal audit also undertook an audit of core financial controls, this review identified that arrangements are well designed and operating effectively	We are satisfied that the authority has appropriate financial management arrangements in place. The finance and procurement team at Police Scotland won a national award for their contribution to the delivery of COP26 and were recognised for their strong financial management arrangements in both finance and procurement.

Wider scope audit (2 continued)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial management (continued)		Financial Management Arrangements (continued) The finance and procurement team won an award for Finance Team of the Year- Central Government and National Bodies at the 2022 Public Finance Awards for their delivery of finance and procurement activities at the COP26 event held in Glasgow. The Cabinet Office highlighted that Police Scotland's business cases were considered best practice and were shared among other delivery partners.	

Wider scope audit (3)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.	Significant risk identified: In order to achieve financial sustainability to bridge funding gaps, the authority will need to identify and deliver significant savings and transformation in order to reduce funding gaps, deliver a balanced budget and continue to deliver key services and policing priorities.	2023/24 Budget Setting SPA and Police Scotland have a five-year financial plan, which was approved in September 2021. The May 2022 Resource Spending Review indicated a flat cash settlement for policing to the 2026/27 financial year. A balanced budget of £1,328.2million has been set for 2023/24. The budget confirmed an additional £80million core funding uplift. However, this equates to a real time reduction in funding, as SPA and Police Scotland have additional costs, in-year, for example to pay for pay awards. To deliver this balanced budget, savings of £50million are required to be achieved in-year. Saving plans include: reduction in staff numbers and reduction in non-pay expenditure. Workforce reduction estimates are 3.7% overall, to achieve planned savings. To date SPA and Police Scotland continue to focus on reviewing spend, with a view to what can be reduced (in way of service delivery) or delivered differently and more efficiently. A way in which the SPA and Police Scotland are looking to deliver a substantial part of the non-pay savings is to manage budget pressures within the estate. The Authority and Police Scotland have only been completing statutory, health and safety and security maintenance within the estate (known as priority 1 and 2 jobs) with any other maintenance being postponed until it is affordable to do so. The Authority and Police Scotland recognise this is an unsustainable position in managing the estate and therefore are developing proposals to reduce the size of the estate. The most recent financial monitoring report has identified that there is a £3.5m year to date overspend in quarter one and a full year forecast overspend against budget of £18.9m. The majority of the forecast overspend relates to police staff and vacancy management savings not being achieved as well as police officers where there are anticipated overspends relating to core overtime. There is a risk that reduction in workforce numbers leads to increased overtime costs to maintain service delivery. Although the current overspends are not significant the Authority and Police Scotland will need to take the planned action to recover the current overspend position to ensure there is not a risk to achieving a breakeven position. A report was taken to Resources Committee in August 2023 to provide scenario forecasts of how to rectify the overspend position. It is clear that significant effort is being directed at reducing the overspend position however this is not without risk and the Authority and Police Scotland will need to focus on not only the short term forecast position but ensure delivery of savings and efficiencies are embedded into longer term financial planning.	**There is a significant risk that savings required to be delivered to reach a balanced budget for 2023/24 are not delivered, resulting in a deficit position for 2023/24.**

Wider scope audit (4)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)		Medium Term Financial Planning The consecutive one-year funding settlements have made longer term financial planning difficult. The five-year financial plan will continue to need to be refreshed because of the Government's annual (December) and spring spending review outcomes. The immediate focus of financial planning has been on developing the annual budget for 2023/24 which was presented and approved by the Authority on 23 March 2023. The SPA and Police Scotland is now turning its attention to refreshing the medium-term financial plan however this work is still in progress. Work has been ongoing by the SPA and Police Scotland to look at capital and revenue planning up until FY 2027-28. Work has largely focused on the overall requirements over the medium term vs a flat cash funding scenario, however this is in early stages and is currently being discussed with Police Scotland executive management and board members in August 2023. The Authority and Police Scotland has an established change and transformation programme however it is unclear whether the expected efficiencies and savings from this programme are sufficient to meet longer term financial challenges especially with a flat cash funding mechanism in place until 2026/27. It is unclear post 2023/24 what the expected funding shortfalls are for the Authority and Police Scotland and what savings/efficiencies will be required. In the absence of agreed funding settlements post 2023/24 Police Scotland should be looking at modelling future demand of its services alongside delivery of policing priorities against what it expects to have to spend to meet its service delivery for at least a three-year period, with oversight by the SPA. Sensitivity analysis should also be undertaken over this period to understand the potential implications of funding shortfalls and put plans in place to address these risks. The risks highlighted to delivering the financial position also impact on service delivery. If demand for policing increases and funding reduces, efficiencies have to be put in place such as reducing the workforce. This could also have significant risks to service delivery, performance and achieving policing priorities. The largest proportion of the budgeted expenditure (67%) relates to police officer costs. A reduction in workforce numbers would bring about the most significant efficiencies however would also have the most significant impact on service delivery. Mapping the transformation programme to medium term financial planning will be key in ensuring the programme can deliver the benefits and efficiencies required in order to maintain service delivery and deliver policing priorities without jeopardising performance and financial sustainability.	There is a need for the Authority and Police Scotland to urgently focus on medium term financial planning and refresh the MTFS. There is a significant risk that where significant funding gaps are identified in the medium to longer term, plans are not in place to secure financial sustainability. There is currently a significant risk over the financial sustainability of the authority and policing service where medium term planning based on the flat cash funding settlements do not exist and therefore the authority and Police Scotland are unable to put actions and plans in place to mitigate and respond to funding shortfalls in the medium to longer term. – See Action Plan Recommendation

Wider scope audit (4 continued)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)		Capital A refresh of the capital strategy was undertaken and approved by the Resources Committee in August 2023. In the period from 2023 – 2028, the SPA anticipates the need to obtain £548million to fund capital expenditure against a projected flat cash funding settlement of £250millon over five years resulting in a funding shortfall of £298million. The capital budget for 2022/23 was set at £57.8m with an outturn position of £60.8m resulting in an overspend of £3m. The budget set included £30.5m of overprogramming which relates to anticipated implementation of spending plans and phasing of spend over the financial year. In essence a budget of £88.3m had been committed against capital funding of £52.6m. A similar position has been adopted for 23/24 whereby the capital budget includes £32.1m of overprogramming which is to be phased into future years. In order to manage the shortfall in the short term, all capital and reform bids have been approved to proceed in 2023-24 but the actual pace of delivery is restricted within the funding available. This continued approach to capital planning without the increase in funding will lead to sustainability issues and create a backlog in capital projects. The largest element of the capital programme is spent on the digital strategy and estates transformation. On average, SPA spend £7.3million per annum on the estate. Over the next 5 years, to maintain the estate to the standards expected, annual spend needs to be at least 50% larger, at £16.34million. This is a significant increase that is not currently affordable. Investment in digital is in line with strategic priorities to ensure Police Scotland is a digitally enabled police force. Many of the assets relating to digital technology will be short life assets with a useful economic life ranging from 3-10 years. Therefore, investing over a longer period to fund the cost of a shorter life asset will need to be considered as maintenance costs as well as replacement costs could exceed the cost of investment.	The SPA have overprogrammed the capital budget and plan in excess of the projected funding available under the flat cash settlement. This is being managed through phasing of programmes into future years which is not a sustainable position. This provides the risk that funding challenges are pushed into future years and programmes cannot be completed in the funding allocated to them. The SPA will need to revisit the capital plan to ensure the affordability of the capital plan in line with funding requirements and capital projects are prioritised within the funding envelope available. - See Action Plan Recommendation

Wider scope audit (5)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.	No significant risks identified.	Overview of governance arrangements The Scottish Police Authority (SPA) is the oversight body that scrutinises Police Scotland and its audit, risk and assurance committee (ARAC) assess the effectiveness of assurances in relation to systems of governance, risk management and internal control. The audit and risk team within SPA support ARAC board members in fulfilling their public role and provides ARAC and the accountable officer with assurances on the effectiveness of internal controls including risk management and internal audit. The Corporate Governance Framework of the Scottish Police Authority, including financial regulations outline the roles and responsibilities to enable good governance which forms a key part of the governance and accountability arrangements for policing in Scotland. The framework is reviewed on a regular basis and updated where necessary, the most recent updates being made in August 2022. An annual committee assurance review is undertaken to provide the Chair and the Board assurance over the committee's functioning and effectiveness. The overall evaluation was considered by ARAC which reported that committees had effectively discharged their duties in line with their terms of reference. Transparency was identified as an issue from the previous evaluation review which was addressed this year. The Legal Committee met in public for the first time in March 2023 and had since confirmed its agreement that its operations now actively support transparency.	**We have reviewed the governance framework and have found the policy to be relevant, up to date and promoted within the organisation.** **In 2022, the Audit and Risk team at the SPA won the Good Governance, Risk Management or Prevention award at the Public Finance Awards 2022. The award recognised the teams contribution to delivering improvement within the organisation and meeting the needs of the board and accountable officer in fulfilling their governance duties.** **We conclude that overall the Authority has appropriate governance arrangements in place.**
		In August 2023 Sir Iain Livingstone retired as Police Scotland's Chief Constable. In June 2023 the SPA announced that Jo Farrell would become Police Scotland's next Chief Constable. The appointment was made by the Authority and approved by Scottish Ministers in accordance with the Police and Fire Reform (Scotland) Act 2012. Police Scotland has been identified as making significant improvements in the past few years. The appointment of the new chief constable comes at a time where there are varying issues facing the policing sector including trust and confidence in policing as well as financial challenges. A speech made by the Chief Constable Sir Iain Livingstone in May 2023 also stated that Police Scotland is institutionally racist and discriminatory. The Chief Constable highlighted that this relates to policing not having all the necessary policies, processes, practices and systems in place to ensure that people from different backgrounds or with different requirements get the right service they require including Police Scotland's own officers and staff. In September 2022, the SPA launched Policing Together Equality, Diversity and Inclusion strategy. The refreshed performance framework for 2023-24 includes measures aligned to the Policing Together Strategy with performance being reported quarterly to the Police Performance Committee .	**We understand that with the transition of a new Chief Constable there will be an opportunity to revisit and refresh different ways of working to help further improve the organisation. The SPA and Police Scotland have built stability and positive working relations between the two organisations and it will be important to ensure good governance that this stability and joint working is maintained.**

Wider scope audit (5 continued)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		Risk management Risk management is overseen by the Audit, Risk and Assurance Committee with update reports being presented for assurance and challenge at each committee meeting. The prior year annual audit report provided by Audit Scotland highlighted that a number of risks in the risk register were out with tolerance levels and a recommendation made that "*the Authority and Police Scotland should ensure that clear timescales to implement planned mitigations are in place, so that risks can remain within the agreed risk tolerance and appetite levels*". We have reviewed the most recent risk registers reported in August 2023 which demonstrates improvements the SPA has made on focusing on risks outside of appetite and tolerance as well as articulating the plans and timescales for their mitigation. Of the 7 strategic risks highlighted in the SPA risk register 1 is out with tolerance levels and of the 14 corporate risks 1 is out with tolerance levels. From our review of the SPA risk register we are satisfied that risks identified are presented appropriately to Committee members and that there is sufficient challenge and monitoring of risk owners. Police Scotland has 17 strategic risks, 11 of which are significant rated as red and above tolerance levels. It is unclear from the risk reports submitted to ARAC who has ownership of these risks, and the timescales to implemented mitigations to reduce tolerance levels. The volume of risks out with tolerance levels is significant.	There are a large volume of risks identified by Police Scotland that are significantly out-with tolerance levels. Police Scotland should look to assess whether the risk appetite and tolerance levels attached to risks are appropriate and if so ensure there are clear actions and timescales in place to manage risks within appropriate tolerance levels.
		Arrangements in tackling Fraud and Bribery The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The 2022/23 exercise identified a total of 1,273 matches, 8 were identified as high risk matches which were investigated and processed by the Authority, 3 were identified as medium risk. This is a significant reduction from 26 cases identified as high and medium risk in 2021/22. All 1,273 matches have been investigated. The total value identified for recovery in 22/23 was £4.5k which is a significant reduction from the recoveries identified in 20/21 of £42.1k. The Audit, Risk and assurance Committee also received the annual whistleblowing reports for both SPA and Police Scotland in August 2023. The SPA report contained an exercise which identified through a staff survey the confidence level and knowledge of staff to raise and report whistleblowing concerns. The results demonstrated that most of the organisation agreed or strongly agreed that they understood what whistleblowing is and were confident in raising a whistleblowing issue.	The SPA have continued to engage with the National Fraud Initiative. The SPA have measured through staff surveys the confidence level of staff in order to support low levels of whistleblowing reports. We highlight this as an area of good practice and something that should be replicated within Police Scotland.

Wider scope audit (5 continued)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		Arrangements in tackling Fraud and Bribery (continued) We highlight this as an area of good practice as provides a sound evidence base that low levels of whistleblowing are not indicative of a culture of fear of reporting but infact staff feel confident to raise whistleblowing concerns. There has been an increase in whistleblowing at Police Scotland in 2022/23. There is training and communications in place at Police Scotland in order to raise awareness regarding reporting whistleblowing however we would recommend that Police Scotland follow a similar approach to the SPA in looking to measure the confidence level of staff to understand whether the whistleblowing arrangements in place are effective and staff feel confident to raise concerns.	
Use of Resources Bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.	No significant risks identified.	Your arrangements in place to inform effective business planning and decision making The current SPA Corporate Plan runs from 2020-2023. This provides the strategic framework, which sets the context and direction for policing in Scotland and is underpinned by an Annual Business Plan which sets out the Authority's priorities for the year and its measure of performance. The Corporate Plan aligns with both the Strategic Police Plan and the Forensic services Strategy to assist with the SPA meeting its corporate objectives. The past three years have seen a variety of issues coming to the forefront of society, such as the importance of diversity and inclusion and issues surrounding violence against women and girls and trust and integrity of policing. This has been a test of whether the Corporate Plan and the underlying performance framework are able to flex sufficiently to allow the SPA to shift priorities and focus whilst maintaining overall strategic direction. The Board review the underlying business plan annually and ensure that it appropriately addresses the key issues that are facing the police authority.	Our review of the SPA's corporate plan highlighted the flexibility of the Plan which has allowed the SPA to adapt and vary relative priorities at various points in time, given the changing landscape of society and policing.

Wider scope audit (5 continued)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Use of Resources (continued)		The SPA have started planning for the next iteration of the Corporate Plan with a new Corporate Strategy being launched in April 2023. Engagement was undertaken across the organisation as well as with partners and with the public on consultation of the draft strategy. Members of the public were invited to complete a survey on the draft strategy. The final strategy was presented to Authority board members in March 2023 for approval. At the same time work has been ongoing to update the Joint Strategy for Policing. Consultations with staff, authority members and other key stakeholders, including the public, was undertaken with the final strategy being approved by the Authority in May 2023. Effective business planning requires arrangements to link strategic objectives with operational performance to allow senior personnel to drive the organisation forward and meet strategic aims and objectives. The performance framework provides this link at the SPA and measures progress against the Strategic Police Plan. Police Scotland have adopted a refreshed performance framework for 2022/23. The refreshed framework introduced 19 benchmarking measures. We note this has a positive step taken by the authority as a way to support organisational learning through evidence gathering and reviewing comparison of performance against other police forces throughout the UK. The 2022/23 Police Scotland performance framework contains 169 performance measures , this has increased to 379 measures within the 2023/24 framework . This is a significant increase in performance measures will which require additional resource to pull together data and quality check as well as report. There is also a risk that it is difficult to 'see the woods from the trees' where there is too much information reported which makes it more difficult for decision makers to understand performance on key areas and base decisions on. The quarterly police performance reports are currently over 100 pages long and increased performance measures will result in additional reporting. Discussions with management have confirmed there is a hierarchy of various committees which review performance measures at differing levels to ensure reporting and monitoring is reviewed at the appropriate level. We will continue to review this area throughout our audit appointment to ensure there is appropriate focus at appropriate levels and does not become unmanageable with the increasing performance measures. Performance Police Scotland and the Scottish Police Authority, including Forensic Services, continued to monitor key performance indicators through the year with detailed performance reporting to the Authority and relevant committees on a regular basis. Following the death of Her Majesty Queen Elizabeth, Operation Unicorn was launched and was the first time Police Scotland had implemented a no notice mass mobilisation of officers and staff. The operation concluded with no security breaches; significant violence/disorder or safety issues. This was a large and complex operation.	Performance monitoring is delegated to the Policing Performance Committee (PPC) however there are a number of sub committees which monitor the further detail of policing performance before it is reported to the PPC. This ensures that key information that is of most importance to the corporate plan and strategic policing plan's deliver is being monitored.

Wider scope audit (5 continued)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Use of Resources (continued)		Performance (continued) We have reviewed some of the key metrics used to measure performance below and concluded on the appropriateness of the arrangements in place over the reporting of performance measures within the conclusion. Since the early 2000s, the homicide rate in Scotland has been on a declining trend with the number recorded in 2022/23 experiencing a significant decrease. This year's figure is the lowest number in any year since the introduction of modern crime recording standards in the 1970s. Crimes relating to fraud and violence against women and girls have however increased. In March 2023 the Violence against Women and Girls (VAWG) strategy was approved. The 2023/24 performance framework includes the performance measures that are aligned to the VAWG strategy and performance will be reported on a quarterly basis. In response to record level of frauds being committed, Police Scotland have recognised the fact that tackling fraud crimes requires collective focus and therefore have commenced a pilot of a multi-agency financial crime triage hub. The hub will work with various partners to tackle and protect individuals, communities and businesses against fraud. Response to tackling fraud is also being delivered through the 'Policing in a Digital World' programme which has been developed during 2022/23 with oversight of the programme being delivered by the Cyber External Reference Group. In May 2022 it was identified that 447 drug driving cases had been marked as 'no proceedings' by the Crown Office and Procurator Fiscal Service (COPFS) and occurred primarily due to the SPA Forensic Services Toxicology Section failing to analyse and report blood samples within appropriate timescales. In response to this finding the Chair of the SPA requested HMICS conduct an assurance review of the SPA Forensic Services Toxicology Section. The report contains 25 recommendations and areas for development to improve the service in relation to drug driving. An action plan is currently being created and will be monitored by the Forensic Services Committee as well as ongoing discussions with partners and the Scottish Government regarding the future sustainable model for Toxicology. Your arrangements around transformation and innovation to secure savings and efficiencies for the SPA and Police Scotland Change portfolio The size and scale of the transformation portfolio held by Police Scotland means it is critical that appropriate arrangements are in place to ensure that transformation projects and programmes can be delivered on time, to budget, meet strategic objectives and bring about intended benefits and transformational change to the organisation. The latest change portfolio update has indicated that the change portfolio is currently rated as amber relating to schedule and resources while benefits and financials are rated as green. Risks relating to the overall change portfolio have recently moved from amber to green. The current portfolio consists of 13 programmes and 7 projects (not aligned to programmes).	Overall, it has been a challenging year for the SPA and Police Scotland however the authority and police force have worked hard to continue to deliver on its priorities as well as respond to a number of unprecedented events. Challenges continue in areas such as fraud, sexual crime and domestic abuse whereby crime in these areas continues to grow. The launch of the VAWG strategy as well as rollout of Naloxone are welcomed in responding to these areas of challenge. There are a number of projects which continue to be impacted by resource challenges and the transformation directorate (TD) continues to face a challenge to reduce vacancy rates and fill vacant posts with permanent staff. This is a known and ongoing issue however it is positive to note that a review of resources and vacancies is undertaken on a regular basis to ensure any issues regarding resourcing and delivery of projects is flagged.

Wider scope audit (5 continued)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Use of Resources (continued)		Change portfolio (continued) An annual portfolio review was undertaken by the change board and concluded that the portfolio would continue with the current programmes and projects. Issues around change capacity have been previously highlighted as a risk however this risk has recently been downgraded due to the rebaseline activity that was undertaken. The change portfolio currently have 30 vacant roles across the portfolio (14 permanent and 16 temporary), 17 of the 30 roles are currently in progress with candidates identified and the remaining 13 currently advertised. Of the current programmes and projects within the change portfolio, three programmes and two projects are currently risk rated red. The most significant of these being the Modernising Contact & Engagement Programme. This programme is linked to the National Integrated Communications Control Systems (NICCS) project which is currently facing resourcing issues. The programme is a large programme which will integrate local, specialist and central command services to allow Police Scotland to flex resources dynamically to meet the needs of Scotland and to mobilise and respond to operational policing challenges. The inherent complexity of the programme means that risks to delivery are expected. Training has started to be rolled out across the organisation however the project is still in testing phase and work continues with the supplier to address remaining defects before moving into further integration testing. Definitive dates for implementation are yet to be confirmed until defects are addressed and testing is completed. Internal audit also performed a review of Digital Evidence Sharing Capability (DESC) project which is also rated red within the change portfolio. Internal Audit reviewed the overarching project governance arrangements in readiness for novation of the contract. They also considered the extent to which the previously identified issues have been resolved. The overarching project governance arrangements for the DESC project were generally well designed with good arrangements for partnership working however, findings included; addressing recommendations raised from external reviews and a lack of clarity around the benefits realisation process. The Audit, Risk and Assurance Committee (ARAC) have responsibility of seeking assurance on behalf of the board on the overall progress of the change portfolio, with a particular focus on identifying the risks that may affect the coordinated delivery of strategic outcomes. ARAC receive half year reports on progress on the change portfolio. It is important that ARAC continue to monitor the progress of what is a significant change portfolio and the risks attached.	**We are satisfied there are appropriate governance and scrutiny arrangements in place to monitor the delivery of change programmes.** **Update reports provided to ARAC could provide further clarity on the significant programmes in the change portfolio and the reasons for any red rated programmes/projects as well as project milestones and control measures and delivery timeframes in place to ensure appropriate scrutiny and challenge over the risks impacting the delivery of projects.**

Wider scope audit (5 continued)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Use of Resources (continued)		Benefits realisation Transformation benefits are tracked and monitored through the Resources Committee on a regular basis with the Change Board monitoring progress on a monthly basis. The year end transformational programme benefits tracking report outlines the cashable and non-cashable benefits which have been delivered to date against each business case. The report provides a helpful overview of the benefits that are on track for delivery/have been delivered and those that are delayed or have not yet been achieved. The cashable benefits realised by the transformation portfolio totaled £3.8m in 2022/23 and since 2018 has saved £19.4m. Our review of the latest benefits delivery update has not identified any significant delays or non delivery of expected benefits. An internal audit of benefits realisation was undertaken in 2020 with a risk raised regarding the Police Scotland's inability to demonstrate that the reported 'realised benefits' had been demonstrated in real terms, the view by the previous internal auditors is that the risk in this area remains unmitigated as a result. Management continue to review opportunities to apply the benefits realisation process however no demonstration of the documented process has been provided to close down this recommendation. It is important that benefits as reported within the tracking report can be demonstrated and evidenced as delivered. ARAC have raised this as an area requiring follow up with the new internal auditors.	The SPA and Police Scotland should ensure there is more consistent focus on outcomes (measuring and communicating impact on business delivery). Police Scotland with oversight from the SPA should ensure that identified benefits and outcomes of a project or programme feeds into the assessment of organisational performance and in turn will enable Police Scotland and the SPA to assess how they are performing against their strategic priorities . Police Scotland should map the impact, outcomes and intended benefits of its change portfolio to the performance framework to ensure that organisational performance is being met as intended and in turn meeting the overall strategic objectives of the organisation as reflected within Corporate Plan. – See Action Plan Recommendation

Best Value

Best Value audit response and findings

The Scottish Public Finance Manual explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. There is ministerial guidance to ensure that arrangements are in place to secure Best Value in public services.

There are seven Best Value characteristics set out within the Manual and they were reviewed as part of our risk assessment.

Audit Scotland require us as auditors to undertake work on the Fairness and Equality characteristic at least once during our audit appointment, we have not undertaken that work during 2022/23.

Best Value work under the new Code of Audit Practice is fully integrated within the annual audit work performed by appointed auditors and their teams. As part of our integrated wider-scope annual audit work, we as appointed auditors use a risk based approach to assess and report whether the company has made proper arrangements for securing Best Value.

Best Value Arrangements

The Police and Fire Reform (Scotland) Act 2012 places a duty on the Accountable Officer and the Chief Constable to make arrangements to secure Best Value for the Authority and police service respectively.

A Best Value self-assessment was completed by SPA Corporate against the seven Best Value themes utilising the Audit Scotland best Value Toolkit. The 2022/23 self assessment identified improvements that could be made against the theme of sustainability. In response to this SPA launched a number of initiatives including; establishing a sustainability working group, creating a sustainability champion, energy efficiency assessments and formalised a travel hierarchy. Actions for improvement highlighted from the self assessment are captured within the SPA's Best Value improvement and is monitored on the 4Action system.

In response to prior year audit recommendations "*Police Scotland should develop their approach to best value arrangements which is a duty of the Chief Constable*", Police Scotland undertook a Best Value pilot in January-March 2023. Police Scotland developed an approach utilising the Audit Scotland Best Value Toolkit and agreed to trial a pilot focusing on Procurement with the use of the Procurement toolkit. A number of findings were obtained from the pilot phase including; an increase in awareness of best value is required for all staff and there are further opportunities to incorporate best value principles into existing processes and procedures. The introduction of the pilot has been highlighted by management as a positive step in further demonstrating its duty to secure best value with a number of findings that can be used to target other areas of the organisation to ensure it is securing best value. There are proposals to extend the exercise more widely within the organisation to ensure it is able to sufficiently demonstrate it is securing best value, this is subject to establishing resource to carry out this work.

Conclusions

We are satisfied the SPA has appropriate arrangements in place to secure Best Value for the Authority.

It is positive to note that Police Scotland are taking steps to further demonstrate the arrangements in place to secure best value. The pilot only looked at one area relating to best value and therefore it is important that arrangements are put in place to gain assurance that Police Scotland are securing Best Value in all areas of the organisation to meet the Chief Constable's required duty.

Appendices

1. Audit Adjustments (1)

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Police Pension Scheme Liability- Prior Period Adjustment GAD (reporting actuary for the police pension fund), identified a discrepancy between the pensionable payroll from valuation data and the payroll data included within the annual accounts as part of the 2021/22 resource accounts however were unable to identify the reasons for the discrepancy and applied an uplift of 5% to active member's liabilities for 21/22 to allow for the increase in liabilities. After investigation by both GAD and SPPA it was identified that member data and salary information provided by the SPPA to GAD as part of the triennial valuation were incorrect. Using the updated membership data GAD have estimated that the impact on the police pension scheme liability is a reduction of £389m for 2021/22. Given the materiality of this figure a prior period adjustment has been accounted for within the financial statements. The adjustment for 2021/22 has also impacted 2022/23 resulting in a decrease in the pension liability of £9.1m.	2021/22 Impact: CR IAS19 Actuarial Loss £388,600 2022/23 Impact: CR IAS19 Staff Costs £9,700 CR Pension Interest £6,000 DR IAS19 actuarial gain £395,200	2021/22 Impact: DR Pension Liabilities £388,600 2022/23 Impact: DR Pension Liabilities £9,100 CR Pension Reserves £388,600	2021/22 Impact: CR IAS19 Actuarial Loss £388,600 2022/23 Impact: CR IAS19 Staff Costs £9,700 CR Pension Interest £6,000 DR IAS19 actuarial gain £395,200
Legal Provision We identified a formula error within management's working where 'amounts used' was stated as £227k but should have been calculated as -£227 therefore resulting in a £453k overstatement in provisions.	CR Expenditure £453	DR Provisions £453	CR Expenditure £453

1. Audit Adjustments (2)

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
LGPS Pension Asset Due to a significant increase in the discount rate from the prior year, the actuary has determined a significant reduction in the pension liability which has resulted in a pension asset for staff included within the LGPS. The amount of any net defined benefit asset that an entity can recognise is limited to a ceiling which is the present value of those future benefits, this is covered under *IFRIC 14- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* . This is a national issue that is new and complex and therefore requires consideration by a significant number of admitted bodies. The SPA have engaged with Hymans Robertson to undertake the IFRIC 14 calculation for the LGPS pension asset. This has resulted in a ceiling cap to be applied of £47.086m. The draft accounts currently reflect a LGPS asset position of £420m therefore an adjustment of £373m has been made to the draft accounts to reduce the pension asset for LGPS and overall increase the pension liability within the statement of financial position. Under IAS 19 pension assets should not be netted off against pension liabilities for different schemes. Therefore, the LGPS pension asset has been removed from the non-current pension liability financial statement line to be separately recognised as a pension asset within non-current assets of the Statement of Financial Position. The net impact of these adjustments is outlined in this table. A additional disclosure has been made to the key sources of judgement and estimation uncertainty note to reflect the key assumptions and judgements made by the actuary in calculating the asset ceiling cap in line with IFRIC 14 requirements.	DR IAS19 actuarial gain £373,000	DR Pension Asset £47,086 CR Pension Liability £420,272	DR IAS19 actuarial gain £373,000
Overall impact 2022/23	DR £752,047	CR £752,047	DR £752,047
Overall impact 2021/22	CR £388,600	DR £388,600	CR £388,600

1. Audit Adjustments (3)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Expenditure Completeness Our completeness testing of invoices in April 2023 identified one invoice for £45k that related to 2022/23 however had not been accrued for in 2022/23 and was accounted for in 2023/24. A further review by management identified a £3k invoices relating to 2022/23 that had not been accrued for. Our completeness testing of bank payments made in April identified one payment for £11k that related to 2023/24 however had been accrued for in 2022/23 incorrectly, a further review by management identified £26k of invoices that had been accrued in error relating to the future period. We extended our sample for invoices received in April 2023 and did not identify any further errors. In both errors identified the expenditure related to Forensic Services and from our audit work conducted have isolated the errors to this area. Management have carried out an investigation and identified a weakness in controls with regards to how expenditure is communicated to finance colleagues by Forensic Services to ensure expenditure is appropriately accrued and accounted for in the correct financial year. The estimated impact of expenditure incurred by the Forensic Services department accounted for in the wrong period is £11k.	DR Expenditure £11	CR Creditors £11	DR Expenditure £11	Non Material Error

1. Audit Adjustments (4)

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Land and Building Valuations We identified from testing performed that the valuer (management's expert) had included the value of an asset incorrectly into the valuation report as £6.15m instead of £6.615m therefore representing a £465k understatement of assets. This error was picked up in one sample item out of a total sample tested of 19 assets. The sample error identified was picked up in our significant risk population of assets that were selected due to large and unusual movements. We did not identify any other input errors made through our sample testing and therefore satisfied this does not materially impact the value of assets included within the financial statements.	CR Gain on assets revalued £465	DR Property, Plant and Equipment £465	CR Gain on assets revalued £465	Non-Material Error
Land and Building Valuations We identified that the valuer had included an uplift of 3% for financing costs to all assets revalued. SPA's capital spend is not funded through borrowing and instead is funded by way of capital grants from central government. RICS guidance also states that under the 'instant build' approach (prescribed for the public sector), an allowance for finance costs is not required. We have estimated that the potential impact of financing costs applied to asset valuations that should not have been included is £3.78m resulting in an overstatement of asset values included within the financial statements.	DR Gain on assets revalued £3,778	CR Property, Plant and Equipment £3,778	DR Gain on assets revalued £3,778	Non-Material Error

1. Audit Adjustments (5)

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Cash and Cash Equivalent We identified that £1.295m of cash held in confiscation accounts has been included as an asset within the SPA's financial statements with a corresponding liability. Confiscated cash is cash held on behalf of third parties, the SPA do not have the right to control the asset as it does not have the ability to direct the use of the economic resource and obtain the economic benefits that may flow from it in the future. This cash should not be accounted for by the SPA within the primary financial statements but instead should be disclosed as a third party asset in line with FREM requirements.	Nil	DR Creditors £1,295 CR Cash £1,295	Nil	Non-Material Error
LGPS Pension Asset We obtained pension protocol assurance letters from pension funds that SPA staff are members of. Errors were identified in the asset values of three pension schemes resulting in a £3.5m understatement of the SPA's share of pension net assets. We are satisfied this is a non-material issue for the SPA.	CR IAS19 Actuarial gain £3,535	DR Pension Asset £3,535	CR IAS19 Actuarial gain £3,535	Non-Material Error
Overall Impact	CR £211	DR £211	CR £211	

1. Audit Adjustments (6)

Impact of unadjusted misstatements in the prior year

There were no unadjusted misstatements brought forward from the 2021/22 audit carried out by your predecessor auditor. Management amended the financial statements for all errors identified in the previous year. Therefore there is no impact on unadjusted misstatements from the prior year on the 2022/23 financial statements.

1. Audit Adjustments (7)

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This is not a complete list, as this does not include minor changes requested by the audit team, including typos and formatting requests.

This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on the Scottish Police Authority's reported financial position.

Disclosure	**Auditor recommendations**	**Adjusted?**
Critical accounting judgements and key sources of estimation uncertainty	Disclosures for critical accounting judgements and key sources of estimation uncertainty did not meet the disclosure requirements of IAS 1. Management has updated and provided further narrative to this disclosure to ensure it complies with requirements of IAS 1.	Yes
Financial Instruments	Current disclosure of the Financial Instruments Note did not meet the disclosure requirements as per IFRS7. Management has updated this disclosure note to ensure compliance with the requirements of IFRS 7.	Yes
IFRS 16	Disclosure in the notes to the accounts did not include the average weighted incremental borrowing rate or a reconciliation between the prior year operating lease commitments and the opening right of use asset. Management has updated the notes to the accounts to include this disclosure.	Yes
Remuneration Report- Pensions	Pension values (as at 31 March 2023) noted one individual's real increase in pension to be nil. Upon review of supporting evidence we established the banding should be updated to 0-2.5.	Yes
Remuneration Report- Exit Packages	We have identified that the exit packages note within the Remuneration Report contains an error where the exit package disclosed is greater than the amount per supporting records obtained. Management has agreed to amend the exit packages note to correct for this error.	Yes

1. Audit Adjustments (8)

Misclassification and disclosure changes (continued)

Disclosure	Auditor recommendations	Adjusted?
Intangible Assets	The footnote with the note states that level three inputs are used to calculate the value of assets. The note also highlights that data used to calculate the value was the purchase price of the asset. This would imply that level three inputs are not used to calculate the value and therefore the narrative should be updated to reflect the fact that intangible assets are valued at cost.	Yes
Financial Instruments	Disclosure of financial instruments note has not been disclosed in line with the reporting requirements of IFRS9 as adopted by the Financial Reporting Manual (FREM). A number of disclosure adjustments have been made by management to reflect the disclosure requirements of IFRS9 as adopted by the FREM. Management have also updated the accounting policies note to reflect requirements of IFRS9.	Yes
Consultancy and temporary staff	Consultancy and temporary staff was included in the annual report as subject to audit. This disclosure note is not an item listed by the FREM as subject to audit, management have agreed to remove reference of being subject to audit.	Yes
Statement of Resource Outturn and Losses and Special Payments	The statement of Resource Outturn is subject to audit, this has been amended as subject to audit within the annual report. Losses and special payments has also been amended as subject to audit.	Yes
Accounting Policies	A number of disclosure amendments have been made to accounting policies to ensure requirements of FREM and IFRS including: • Revenue recognition- Accounting policy for revenue from services updated to disclose the key elements of IFRS 15 • Surplus assets- valued at current net book value as a result of restrictions on sale • Inventories- valued at the lower of cost and net realisable value	Yes

1. Audit Adjustments (9)

Misclassification and disclosure changes (continued)

Disclosure	Auditor recommendations	Adjusted?
Accounting Policies	Cash- Accounting policy for cash states that balances on confiscation and warrant accounts are shown as a balance within cash and bank on the Statement of Financial Position, with a corresponding creditor shown within trade payables. FREM 7.6.20 states that third party assets are not public assets and should not be recorded in the primary financial statements. Due to the immateriality of this figure management has chosen not to update the accounts or accounting policy for 2022/23 with a view to correct this issue in 2023/24.	No
Police Pension Account	Footnote for reconciliation to be added to show how police pension grant of £303.9m reconciles to Note 25 pension funding of £498m.	Yes
Audit Fees	£14.5k is currently disclosed as an audit related services, we have not performed any audit related services and should be classified as a non-audit service.	Yes
Revaluations Disclosure	Revaluations disclosure within note 7 which shows the revaluation movements did not reconcile back to the Property, Plant and Equipment note or the movements in revaluations reserve. Management have agreed to correct this disclosure.	Yes
Statement of Resource Outturn	Capital resource outturn was incorrectly disclosed as £49.989m. This should have been disclosed as £48.584m to reflect the underlying capital transactions.	Yes
Capital Commitments	We performed a sample test of capital commitments and identified an error of one sample out of a sample of five where the amount per the purchase order was £173k different to the amount stated within the capital commitments note. This error was extrapolated across the population resulting in an extrapolated misstatement of £475k. This is a disclosure note only and has no impact on the expenditure recorded in the financial system. We do not expect management to adjust for this error as this is an extrapolation of a sample population. We are satisfied this is not a material issue for the accounts.	No
Analysis of Net Expenditure	We identified a typographical error resulting in a £1m variance in Deputy Chief Officer Staff Costs. Management has agreed to update this disclosure for the error identified.	Yes
Various	A number of other minor disclosure and presentational amendments were identified and corrected by management.	Yes

2. Action plan and recommendations – Financial statements audit (1)

We have identified 3 recommendations for the Scottish Police Authority during our audit of the financial statements for the year ended 31 March 2023. We have agreed our recommendations with management and will report on progress on these recommendations during our 2023/24 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
Low	**Land and building Revaluations- Terms of Engagement** Our expert's review of the terms of instruction issued to the external valuer identified that it is a mandatory requirement under the RICS Valuation guidance for Valuer's to prepare Terms of Engagement documents for any Valuation completed. We are of the view that this should be requested from the external valuer on an annual basis as a point of process. No significant concerns have arisen as a result of the arrangements in place as it pertains to this financial year.	Management should ensure the terms of engagement in relation to the valuation of land and building assets is agreed with the valuer and formally documented on an annual basis. **Management response** Management accept the recommendation. The Valuer's Terms of Engagement will be formally documented on an annual basis. Following the terms of instruction issued to the external valuer, for the valuation of land and buildings, Estates will request a formal documented Terms of Engagement. **Responsible Officer: Head of Estates.** **Target Completion Date: 31 March 2024.**

Controls

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

2. Action plan and recommendations – Financial statements audit (2)

Assessment	Issue and risk	Recommendations
Medium	**Investment Properties** During the course of our audit we identified a number of investment properties which were valued on a depreciated replacement cost (DRC) basis which is not consistent with their classification as investment properties. On review, there is a lack of clarity and understanding regarding how these assets should be valued and subsequently classified within the financial statements, either as investment properties or as operational property, plant and equipment.	Management should perform a full review of their investment property portfolio and examine each asset's intended use, functional purpose, and alignment with the criteria outlined in the applicable accounting standards. Management should ensure that the chosen valuation method aligns with the assets classification. **Management response** Management accept the recommendation. Finance will lead the review with Estates, external valuers and other parties to determine in detail the current, intended usage and functional purpose of the properties. Any revised proposal will also take account of latest government issued guidance and accounting standards, relevant for the class and nature of properties covered by the review. **Responsible Officer: Statutory Reporting Lead.** **Target Completion Date: 31 December 2023.**
Medium	**Expenditure Completeness** From our sample testing performed we identified errors in relation to expenditure not being recorded within the correct financial year. The errors identified related to the Forensic Services department and upon investigation management have confirmed processes could be improved within this directorate to ensure expenditure is appropriately captured and recorded in the correct financial year. There is a risk that expenditure is not accounted for in the correct accounting period.	Management should ensure that controls are in place within the Forensic Services department to ensure expenditure that has been incurred but not yet invoiced is accrued for in the correct financial period on a timely basis. It is important that all expenditure incurred in the financial year and not yet invoiced at the year-end period is appropriately communicated to finance staff to ensure expenditure is appropriately accrued for. **Management response** Management accept the recommendation. Forensic Services will be provided with training as well as enhanced instructions to ensure clarity over the Year-end Procedures and the requirement to appropriately complete the Year-end Appendices. **Responsible Officer: Head of Accounting and Control.** **Target Completion Date: 31 March 2024.**

3. Action plan and recommendations – Wider scope and Best Value (1)

We have set out below, based on our audit work undertaken in 2022/23, the key recommendations arising from our wider scope and Best Value audit work:

Recommendation	**Agreed management response**
1. **Financial Sustainability- Medium to Longer Term Financial Planning** **Risk:** There is currently a significant risk over the financial sustainability of the authority where medium term planning based on the flat cash funding settlements do not exist and therefore the authority are unable to put actions and plans in place to mitigate and respond to funding shortfalls in the medium to longer term. **Recommendation:** The SPA should look to refresh its medium term financial plans in light of the flat cash funding settlement and ensure that it has updated financial plans for at least a three year period to identify the potential funding gaps and savings/efficiencies that are required to be delivered in the medium to longer term. In the absence of agreed funding settlements post 2023/24 the Authority should be looking at modelling future demand of its services alongside delivery of policing priorities against what it expects to have to spend to meet its service delivery. Sensitivity analysis should also be undertaken over this period to understand the potential implications of funding shortfalls and put plans in place to address these risks. Mapping the transformation programme to medium term financial planning will be key in ensuring the programme can deliver the benefits and efficiencies required in order to maintain service delivery and deliver policing priorities without jeopardising operational performance and financial sustainability.	Management accept the recommendation. Annual funding cycles make it very difficult to develop a five year plan, however, work has been ongoing to look at capital and revenue planning scenarios up until FY 2027-28. Work has largely focused on the implications of a flat cash funding scenario, the main purpose of which was to feed into Scottish Government Budget discussions and has formed the basis of Scottish Parliament Scrutiny submission. This will be further developed in the coming months in collaboration with other business areas with the view of developing a 3-5 year plan, with a key focus on pay & reward, demand, new legislation and transformation. Multi-year funding envelopes are expected to be published by SG in December 2023. **Responsible Officer: Head of Finance.** **Target Completion Date: 31 March 2024.**

3. Action plan and recommendations – Wider scope and Best Value (2)

We have set out below, based on our audit work undertaken in 2022/23, the key recommendations arising from our wider scope and Best Value audit work:

Recommendation	Agreed management response
2. Financial Sustainability- Capital **Risk:** The SPA have overprogrammed the capital budget and plan in excess of the projected funding available under the flat cash settlement. This is being managed through phasing of programmes into future years which is not a sustainable position. This provides the risk that funding challenges are pushed into future years and programmes cannot be completed in the funding allocated to them. The SPA will need to revisit the capital plan to ensure the affordability of the capital plan in line with funding requirements and capital projects are prioritised within the funding envelope available. **Recommendation:** The SPA will need to revisit the capital plan to ensure the affordability of the capital plan in line with funding requirements and capital projects are prioritised within the funding envelope available.	Management accept the recommendation. Work has been ongoing to look at capital and revenue planning scenarios up until FY 2027-28. This work has largely focused on the implications of a flat cash funding scenario, the main purpose of which was to feed into Scottish Government Budget discussions and has formed the basis of Scottish Parliament Scrutiny submission. A capital strategy document was presented to SPA Resources Committee on 8 August 2023 and discussed with key stakeholders on 24th August 2023 which recognised that the current approach to capital planning is no longer sustainable. Further work has now commenced to prioritise the capital programme within a flat cash funding envelope and a modest level of slippage management. The outcome of this work will be reported through the 2024/25 budget exercise. **Responsible Officer: Head of Finance.** **Target Completion Date: 31 March 2024.**

3. Action plan and recommendations – Wider scope and Best Value (3)

We have set out below, based on our audit work undertaken in 2022/23, the key recommendations arising from our wider scope and Best Value audit work:

Recommendation	Agreed management response
3. **Use of Resources- Change Portfolio** **Risk:** There is a risk that the impact of the change portfolio on operational delivery and performance is not properly assessed. **Recommendation:** The SPA and Police Scotland should ensure there is more consistent focus on outcomes (measuring and communicating impact on business delivery). Police Scotland should ensure that identified benefits and outcomes of a project or programme feeds into the assessment of organisational performance and in turn will enable the SPA and Police Scotland to assess how they are performing against their strategic priorities. Police Scotland should map the impact, outcomes and intended benefits of its change portfolio to the performance framework to ensure that organisational performance is being met as intended and in turn meeting the overall strategic objectives of the organisation as reflected within Corporate Plan.	Management accept the recommendation. The Analysis and Performance Unit (APU) will report on this as part of the Police Scotland Performance Framework and will work collegiately with the appropriate departments in the build of performance metrics that reflect realised benefits in terms of their impact on organisational performance. This will ensure that future reporting aligns with the Police Scotland Strategic Outcomes and subsequent performance reporting products. **Responsible Officer: Director of Strategy & Analysis.** **Target Completion Date: 31 March 2024.**

4. Follow up of prior year recommendations (1)

We have set out below, our follow up of the recommendations made by the predecessor auditor last year and management's progress in implementation:

Recommendations from financial statements audit

Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Green	**Legal Provision Estimates** Legal provisions were held on a prudent basis rather than the 'best estimate' required by IAS 37. Risk – provisions are not accounted for in line with IAS 37 in the financial statements. Recommendation- At year end, a review of all provisions should take place. This should ensure that all information held is up to date, and that provisions for the accounts are reported in line with the best estimate requirements included in IAS 37.	A new procedure has been published in the finance intranet. This will ensure Finance work with Legal to ensure probabilities are applied to point estimates for legal provisions at year end and will ensure a balanced aggregate estimate for legal provisions that is compliant with IAS 37. This will be followed by a training session in February.	Based on our work performed over the provisions balance we are satisfied that provisions have been provided for in line with the requirements of IAS 37. **Satisfied recommendation has been closed.**

Assessment

- 🔴 [Red] Recommendation is open
- 🟡 [Amber] Recommendation is in progress
- 🟢 [Green] Recommendation is closed

4. Follow up of prior year recommendations (2)

Recommendations from financial statements audit (continued)

Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Green	**Carrying value of assets not revalued in year** There is no evidence to support that checks are made on assets to identify if they require to be revalued out with the standard quinquennial revaluation process. Risk – assets not valued in year are materially misstated. Recommendation - Documented processes should be in place to identify if assets require to be revalued out with the standard revaluation process. Work done in this area should be documented including meeting notes and instructions to valuers.	We have included DRC type properties into our cyclical revaluations for this financial year (2022/23). This has significantly increased the proportion of properties which now hold up to date values. Options to apply indexation increases were tabled however due to the wide ranging nature of our properties (a shed in Oban to a Forensic Laboratory in the Capital City) and the geographical spread, it was deemed that without a significant increase in resources we would be unable to do anything further. However, the risk of assets not being valued in year has significantly diminished. The capital accounting guidelines have been updated and are available in the intranet. See revaluation of DRC Buildings (Page 10) and republished in the intranet.	Based on our work performed over assets not revalued in year we are satisfied management have appropriately responded to the prior year recommendation. **Satisfied recommendation has been closed.**
Amber	**Exit Packages** As a result of errors found as part of the audit process, there have been a number of adjustments to the exit packages disclosure in the remuneration and staff report. Risk – the exit package disclosure is misstated and does not comply with the FReM. Recommendation - Given the high-profile nature of exit packages, we would recommend that an enhanced quality assurance process is in place to check these disclosures.	The ARA project plan has been updated to include a year-end review of exit package disclosures.	Based on our work performed over the exit packages note we have identified a number of errors where the supporting evidence did not agree with the amount disclosed within the exit packages note. Recommendation made in previous year has not been resolved and remains open. **Recommendation remains open.**

4. Follow up of prior year recommendations (3)

We have set out below, our follow up of the recommendations made by the predecessor auditor last year and management's progress in implementation:

Recommendations from wider scope audit

Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Amber	Capital Strategy The new Five-Year Capital Strategy has over committed each year to address slippage concerns, and is based on flat cash. Risk – that the Five-Year Capital Strategy does not deliver the required improvements and efficiencies in capital assets Recommendation - As medium to long term financial plans are refreshed, the Scottish Police Authority must closely monitor the timing and cost of capital projects if the Five-Year Capital Strategy is to be successfully delivered.	As per management response, we have established rolling forecasts for capital and reform over a 15-month period rather than 12. This is to provide a longer-term view and to ensure that we capture all in-flight spend. The outcomes of the forecasts are discussed at each of the monthly project/budget meetings and are adjusted to reflect updates from budget holders and procurement, who attend many of these monthly meetings. These monthly forecasts are also the starting point for each of our quarterly forecasts.	We are satisfied that the SPA monitor the timing and cost of capital projects, therefore we are satisfied this recommendation is closed. However, we have identified that a significant slippage management balance is included within the capital budgets and plans and therefore there is a risk that projects are committed to without the relevant agreed funding. See Appendix 3- Action Plan Recommendation 2. **Current recommendation has been closed, with a new recommendation being made in relation to this area.**

4. Follow up of prior year recommendations (4)

Recommendations from wider scope audit (continued)

Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Amber	Strategic workforce planning The next iteration of the strategic workforce plan is expected in April 2024 and must support delivering efficiencies and ensuring the correct capacity and capabilities are in place. Risk – that prior to the new SWP being produced in April 2024, there are insufficient arrangements in place to support the efficiencies required for policing given the expectation of flat cash funding. Recommendation - Until the next iteration of the Strategic Workforce Plan is available, Police Scotland should use current data and intelligence to ensure capacity savings are redistributed to deliver key services and develop the way in which it measures and records this, to support development of the SWP.	An initial iteration of the Strategic Workforce Plan will be presented to People Committee and subsequently Authority Board in September/October 2023. Ahead of its publication, our Force Resource Prioritisation Group Strategic (RPGS) continues to oversee, direct and ensure the prioritisation of available policing resource against operational priorities, with a particular focus on acute pressures in the short and medium term. By providing strategic direction and oversight to the Resource Prioritisation Group Tactical (RPGT), the group ensures that Police Scotland maintains Service Delivery standards across operational and organisational policing functions. It maintains a focus on maximising the availability of existing resource within Police Scotland to deliver core services which includes work to clearly define and prioritise the nature of core services, in the context of current acute financial pressures. It also works to effectively respond to acute operational and organisational demands on the basis of threat, harm and risk, ensuring Police Scotland consistently meet its legal responsibilities.	The response to this recommendation is currently in progress with a first draft of the SWP due in September 2023. We are satisfied that the authority track sand records non-cashable savings as part of the wider change programme however it is unclear how these non-cashable savings are reflected within the MTFS. Recommendation is in progress.

4. Follow up of prior year recommendations (5)

Recommendations from wider scope audit (continued)

Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Red	Risk register scoring Risk register scores are above tolerance and appetite levels for the majority of strategic risks. Risk – mitigating controls are not effective in returning risks to within tolerance and appetite levels. Recommendation - The Authority and Police Scotland needs to ensure that clear timescales to implement planned mitigations are in place, so that risks can return to the agreed risk tolerance and appetite levels.	A updated report was submitted to ARAC for 17th January Meeting, in addition to that, the Force Executive undertook a bi-annual review of Police Scotland's Strategic risks and Appetite & Tolerance statements in November 2022. It was recognised that there has been numerous improvements across the service resulting in some consideration being given to reducing some risk scores which may lead to a reduction to the number of risks outside of appetite and tolerance range. A further comprehensive review is being planned for early 2023 to compile any score changes as a result of actions from the bi-annual review. Once these changes have been approved by internal structures, they will be implemented & reported to the May 23 ARAC. As per Police Scotland's Risk Management Framework, any risk out with appetite must have further mitigating actions planned against them. These actions are reviewed as part of our monthly review cycles, working on the assumption that once all further mitigating actions are complete and embedded, the risk may return to within appetite. However, there are aspects of risks that sit outside of Police Scotland's control. This includes financial resource which could result in risks remain above appetite and tolerance even with all mitigating actions in place. At each review cycle, risk score and planned mitigating actions are considered and revised where appropriate. This includes considering if the completion of actions has had the desired impact to reduce the risk or if further mitigation is required.	We have reviewed the most recent risk registers reported in August 2023 which demonstrates improvements the SPA has made on focusing on risks outside of appetite and tolerance as well as articulating the plans and timescales for their mitigation. Of the 7 strategic risks highlighted in the SPA risk register 1 is out with tolerance levels and of the 14 corporate risks 1 is out with tolerance levels. We are satisfied that the identified risk is proportionate to the organisation. There are a large volume of risks identified by Police Scotland that are significant and remain out with tolerance levels. Police Scotland should look to assess whether the risk appetite and tolerance levels attached to risks are appropriate and if so ensure there are clear actions and timescales in place to manage risks within appropriate tolerance levels. Recommendation remains open.

4. Follow up of prior year recommendations (6)

Recommendations from wider scope audit (continued)

Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Green	Equalities outcomes There continues to be a clear commitment to equality and diversity issues, and data sources have been identified in the performance framework. However, developing the analysis of this data should help the Authority report effectively on outcomes from this work Risk – the Authority is not able to analyse equality data to demonstrate how they are meeting equality outcomes. Recommendation - Developing and analysing data relating to equality, diversity and inclusion will help support the Authority's commitments and report on equality outcomes.	Police Scotland have carried out an end to end review of diversity data and identified areas for improvement in the analysis of data which is documented within the EFI Performance SLWG High Level Delivery Tracker. Performance Reporting has improved consistency in the way in which Police Scotland presents data and the Workforce MI Development and Improvement Plan reflects SPA expectations and best practice. Work to deliver the Workforce MI Review and Improvement Plan is underway and will conclude by June 2023 with the adoption of new reporting formats from Q1 of reporting year 2023/24 (at SPA People Committee on 29 August 2023). Policing Together Performance and Impact Group will continue to develop data and insights to support EDI performance tracking utilising key performance dashboards and the development of policy, strategic direction and governance in respect of EDI Planning and Performance under the oversight of the Policing Together Strategic Oversight Board.	In September 2022, the SPA launched Policing Together Equality, Diversity and Inclusion strategy. The refreshed performance framework for 2023-24 includes measures aligned to the Policing Together Strategy with performance being reported quarterly to the Police Performance Committee. **Satisfied recommendation has been closed.**

4. Follow up of prior year recommendations (7)

Recommendations from wider scope audit (continued)

Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Green	Gender pay gap Police officer and police staff gender pay gaps are reported separately and there are no aggregate figures for all employees. Risk – gender pay gap figures do not generate a wider discussion about respective roles in an evolving workforce. Recommendation - To support equality, diversity and inclusion, consideration should be given to Police Scotland's gender pay gap analysis to include evolving best practice, which is to aggregate figures for police officers and staff.	In September the pay and reward team looked at the recommendation in relation to Gender pay gap reporting they observed that any police force reporting a combined gender pay gap follows the figure with the following statement: 'the combined pay gap figures could be viewed as misleading as they combine the very different police officer and police staff pay, grading/rank structure and gender compositions for each separate group'. Police Scotland publish data with a view of being helpful and transparent to the public, but giving information that isn't confusing or misleading. This being the case the value of carrying out an activity that could result in confusion to the public, and which has no intrinsic value to the Service would not represent best value. This being the case the Service choose to report the pay gap of the 2 groups separately. This allows civilian staff data to be compared with other relevant civilian groups within industry.	SPA have reviewed and considered data available and how it can ensure transparency and ensure useful and understandable information is provided to aide wider stakeholders on the gender pay gap. We are satisfied that the reporting of pay gap by the Authority is appropriate and meets reporting requirements. Satisfied recommendation has been closed.

4. Follow up of prior year recommendations (8)

Recommendations from wider scope audit (continued)

Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Amber	**Best value arrangements** Work to agree the Police Scotland approach to demonstrating Best Value have not progressed. Risk – that best value arrangements are not in place to deliver the best possible outcomes for the public. Recommendation - Police Scotland should develop their approach to best value arrangements which is a duty of the Chief Constable.	A small pilot is in progress with Procurement and the early findings are helping to shape the final version of the approach. The outcomes from the Pilot are expected to be available for the end of April. The team is not fully established but the resource requirement is to based on the experience from the current pilot with the intention to start recruiting for permanent positions in the summer.	We are satisfied that Police Scotland have best value arrangements in place however work is currently ongoing to strengthen arrangements across the organisation, through extension of the pilot undertaken in 2022/23. **This recommendation is currently in progress.**

4. Follow up of prior year recommendations (9)

Recommendations from wider scope audit (continued)

Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Green	**Drug driving toxicology forecasts** Actual toxicology cases are significantly greater than were forecast at the introduction of this new Scottish Government policy. Risk – reasons for this variance are not captured and learned from to support future forecasting on policies which impact the Authority Recommendation - The Scottish Police Authority should work with partner organisations to determine why forecasts relating to drug driving toxicology cases were significantly different from actual cases.	Forecasting undertaken in advance of the implementation of the forensic toxicology drug driving provision was based on modelling from England and Wales, which was later found to have underestimated demand for service. Work has been underway within forensic services, in partnership with Police Scotland, COPFS and Scottish Government to develop a long-term sustainable model for the provision of drug driving toxicology services, based on current and future demand modelling provided by Police Scotland. The Authority commissioned HMICS to undertake a broad review of drug driving toxicology including consideration of demand modelling. Their findings are report are publicly available with the finding discussed at the public Board meeting (21 June 2023) and the improvement plan provided to the Forensics Services Committee (10 August 2023). Action in this area has been superseded by the HMICS recommendations made in the recent assurance review of forensic toxicology provision. It is proposed that this action is closed, with further activity progressing through the agreed and published toxicology improvement plan.	Recommendation has been acted upon and a separate improvement plan has been implemented by the SPA in relation to the investigation carried out on drug driving toxicology. **Satisfied recommendation has been closed.**

4. Follow up of prior year recommendations (10)

Recommendations from wider scope audit (continued)

Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Amber	Benefits realisation It is not yet possible to see evidenced tracking of benefits realisation. Risk – resources are being used inefficiently in an increasingly challenging financial environment, to the detriment of value for money and the delivery of critical services. Recommendation - The Scottish Police Authority should continue to monitor work by Police Scotland towards including meaningful and realistic processes for monitoring and evidencing realised cash and non-cash benefits across all projects.	As per November update from SPA. Improvements implemented. No further action.	An internal audit of benefits realisation was undertaken in 2020 with a risk raised regarding Police Scotland's inability to demonstrate that the reported 'realised benefits' had been demonstrated in real terms, the view by the previous internal auditors is that the risk in this area remains unmitigated as a result. Management continue to review opportunities to apply the benefits realisation process however no demonstration of the documented process has been provided to close down this recommendation. It is important that benefits as reported within the tracking report can be demonstrated and evidenced as delivered. ARAC have raised this as an area requiring follow up with the new internal auditors. **Response to recommendation is currently in progress.**

5. Audit fees, ethics and independence (1)

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.

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 Scottish Police Authority and 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, note that there are no 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.

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 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.

5. Audit fees, ethics and independence (2)

The tables below set out the total fees for audit and other services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to the Scottish Police Authority. The table summarises all non-audit services which were identified.

External Audit Fee	**Audit Plan £**	**Annual Audit Report £**
External Auditor Remuneration	£217,970	£234,470
Pooled Costs	(£3,450)	(£3,450)
Contribution to Audit Scotland support costs	£6,190	£6,190
Sectoral cap adjustment	£53,880	£53,880
2022/23 Audit Fee	**£274,590**	**£291,090**

Fees for other services

Service	**Fees £**
Non-audit services prior to our appointment include advisory work relating to the transfer of post mortem toxicology services from Glasgow University to Forensic Services and a small limited scope, reasonable assurance review relating to matters arising before the 2022/23 financial year.	£77,197
Other non-audit advisory work undertaken prior to our audit appointment.	£14,500

*Additional fee agreed with management in respect of pension fund assurances, alongside known additional costs incurred in IFRIC 14 and the Prior period adjustment. These totalled £16,500.

Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit and additional services before we were appointed as auditor. Non-audit services prior to our appointment include advisory work relating to the transfer of post mortem toxicology services from Glasgow University to Forensic Services and a small limited scope, reasonable assurance review relating to matters arising before the 2022/23 financial year. Prior to our appointment the non-audit services provided were discussed with Audit Scotland in the context of independence and our role as external auditor. Audit Scotland agreed that the services provided prior to our appointment did not impact on our independence as external auditors and since our appointment this non-audit service has been completed and therefore, we consider there to be no threats to our independence. We can confirm that non-audit fees are less than audit fees reducing the threat of self-interest and that a separate team has undertaken the work on the external audit therefore reducing the threat of self-review. No other services provided by Grant Thornton were identified.

5. Audit fees, ethics and independence (3)

The fees reconcile to the financial statements (round £000 in the financial statements).

- Fees per financial statements:
  - Audit fees £274,590
  - Other assurance services £77,197
  - Non-audit assurance services £14,500
- Total fees per previous page
  - Audit fees £274,590
  - Other assurance services £77,197
  - Non-Audit advisory services £14,500

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner and Head of Public Sector Assurance, 103 Colmore Row, Birmingham, B3 3AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2021 (grantthornton.co.uk)

6. Communication of audit matters

International Standard on Auditing ISA (UK) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance. These are set out in the table below.

Our communication plan	Audit Plan	Annual Report (our ISA 260 Report)
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope 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	•	•
Significant matters in relation to going concern	•	•
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 Scottish Police Authority's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues 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.		•

Grant Thornton

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