Annual Audit Report
Scottish Police Authority

Financial year ended 31 March 2024

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

31 October 2024

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 2024 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 2023/24 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 substantial completed during July and August, with pensions being resolved during September and October. Our findings are summarised on pages 6 to 26. We have identified three audit adjustments to the financial statements that have impacted on the SPA's reported financial position. This has resulted in a £80,535 increase to the reported total comprehensive net expenditure position as at 31 March 2024 and a £80,535 increase to the reported total comprehensive net expenditure position as at 31 March 2023.

We have identified one unadjusted misstatement during the audit. Management have decided not to adjust the financial statements as the misstatement is not material and is an area of judgement. This unadjusted misstatement related to a £19.0 million asset surplus arising should the IFRIC 14 calculations been undertaken at a fund level rather than on a consolidated basis. This would have increased the Statement of Financial Position and Other Comprehensive Expenditure by £19.0 million. Audit adjustments are detailed in Appendix 1.

We have also raised two recommendations for management set out in Appendix 2. Our follow up of recommendations from the prior year's audit are detailed in Appendix 3.

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

We have issued an unmodified opinion on 31 October 2024.

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 SPA 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 2024.

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 SPA has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. The SPA 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 management from their responsibility to address the issues raised and to maintain an adequate system of control.

Audit approach

Our audit approach was based on our understanding of the Authority, and central government entities, and is risk based, including:

- 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 SPA 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 many 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 SPA'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 2024, 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.

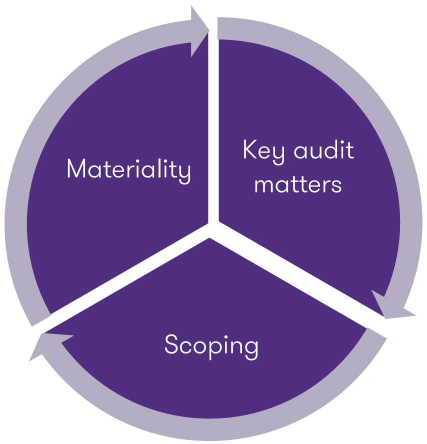
We outline our work undertaken in response to the arrangements in place and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out. We have not identified any additional significant risks from our review carried out after our planning and risk assessment.

Further details of the work undertaken are outlined on pages 28 to 42.

Follow up of prior year recommendations raised are set out in Appendix 3.

Audit of the annual report and accounts

Our approach to the audit of the financial statements



Internal control environment

In accordance with ISA requirements, we have developed an understanding of the SPA'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.

Key audit matters and Significant Risks

Key audit matters were identified as the following significant risks:

- Management override of controls;
- Valuation of the net pension liability; and
- Valuation of land and buildings.

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

In 2022/23 we included in our plan a lower threshold on Senior Office holders' remuneration. On reviewing our planned approach at year end, consistent across all public sector entities, we determined to continue to apply the lower materiality level for 2023-24 of £25,000 on this specific remuneration disclosure.

There were no other changes to our risk assessment, from those set out in the audit plan.

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 2023/24 draft financial statements and concluded that materiality is £25.315 million representing 1.7% of gross expenditure. In our calculation of materiality, we have removed one off non-recurring items, such as IAS 19 pension costs, given this figure is dependent on the triannual valuation which occurs every three years.
- Performance materiality was set at £17.720 million representing 70% of our calculated materiality.
- We report to management any difference identified over £1.266 million calculated as our triviality threshold.
- We have applied a lower materiality threshold for disclosures within the Remuneration Report to Senior Management and Board Member Remuneration Tables, the lower materiality applied to this area was £25,000. Due to the public interest in senior remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

There is a change in materiality values since our final audit plan was communicated to you on 31 March 2024 as final expenditure for 2023/24 was used as the basis of the calculation. The percentage chosen for higher materiality and performance materiality remains unchanged.

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 audit, our procedures undertaken included:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the SPA 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 (IFRS) and the 2023/24 HM Treasury Financial Reporting Manual (FReM).
- We enquired of Senior Officers and the Audit, Risk and Assurance Committee (ARAC) through email confirmation, concerning the SPA'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 ARAC 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 SPA's financial statements to material misstatement, including how fraud might occur, by evaluating managements' 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 SPA'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 can detect 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:
  - SPA'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.
  - SPA's and Police Scotland's control environment, including the policies and procedures

During the audit, management have kept us informed of any ongoing issues.

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
Valuation of the pension fund net liability	Significant	↔	✗	✓	High	Substantive	● Green
Valuation of Land and Building Assets	Significant	↔	✗	✓	High	Substantive	● Green

↑ 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.

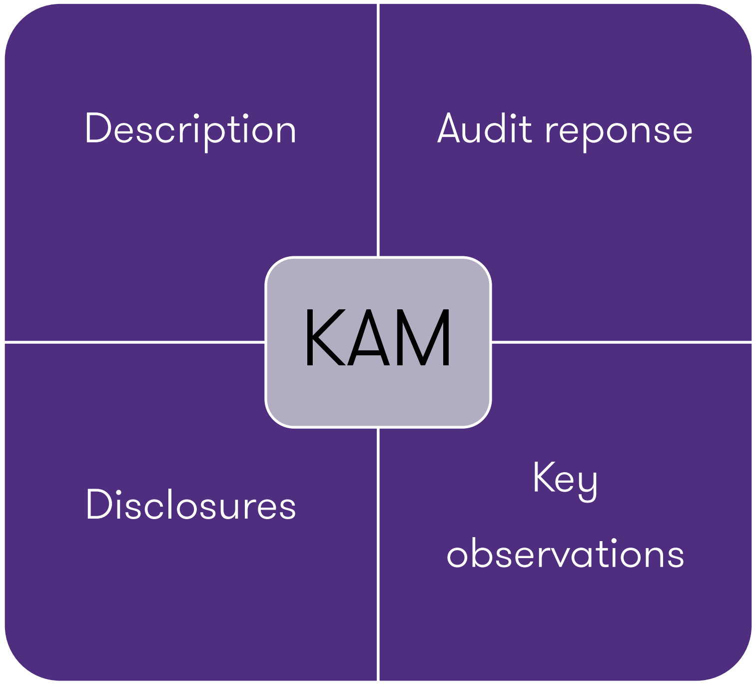
Key audit matters

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.



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 SPA, 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 SPA, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the SPA. **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) Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: "As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". (rebutted)	Having considered the risk factors set out in ISA 240 and the nature of the expenditure streams at the SPA, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because: there is little incentive to manipulate expenditure recognition; opportunities to manipulate expenditure recognition are very limited; the culture and ethical frameworks of police authorities, including the SPA, mean that all forms of fraud are seen as unacceptable; and regular dialogue with the Scottish Government to monitor financial performance provides limited opportunity to manipulate the financial position. A large proportion of the SPA's expenditure relates to resources consumed in the direction and control of day-to-day policing such as police staff and wages, employee-related expenditure, premises, transport and supplies and services of Police Scotland. These expenditure streams and processes are largely automated. Controls have also been designed and implemented to mitigate any fraud within these expenditure streams and therefore the risk of fraud in expenditure recognition is deemed low. Therefore, we do not consider this to be a significant risk for the SPA. Conclusion Our work has not identified any material issues in relation to expenditure recognition.

Significant risks and Key Audit Matters (4)

Other significant risks identified in our Audit Plan	Commentary
Valuation of the police officer pension fund net liability and local government pension scheme (LGPS) asset 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.	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 and local government pension scheme (LGPS) asset (continued)	**Our results** In September 2024, additional guidance was released around IFRIC 14 calculations, whereby it was noted that secondary contributions should be calculated across the funding horizon period. In 2022/23, the calculation was based on the assumption that secondary contribution continue in perpetuity which is incorrect. As such, an updated IFRIC 14 assessment was obtained for 2022/23 and given the materiality of the updated figures, a prior period adjustment has been accounted for within the financial statements. Please refer to Appendix 1 for further details. The 2023/24 IFRIC 14 calculation was calculated over the horizon period and no adjustment was required in the current year. In terms of the LGPS, the pension asset has been capped at £nil in line with your actuary's calculation of the IFRIC 14 asset ceiling cap. This is due to several differences however, the main difference relating to the triennial valuation results now being available and used in the 2024 IAS19 calculations. This results in the present value of future service contributions being greater than the present value of future service costs which results in the asset being capped at £nil. As part of our audit procedures, we have challenged management and the actuary over the basis of undertaking the IFRIC 14 calculations on a consolidated basis including all eight LGPS pension funds. Given all funds were in an asset position, the surplus position of each needed to be considered at an individual fund level. On that basis, the IFRIC 14 calculations were recalculated and this has resulted in a movement in the asset ceiling moving from a cap of nil to a surplus of £19.0m. Following discussions, management have opted not to adjust for this misstatement as it is not material and relates to an area of judgement with regards to the calculation of IFRIC 14. This has been raised as an unadjusted misstatement within Appendix 1 of our report and we have also raised a recommendation for management alongside their actuary review the current treatment of reporting IAS 19 and IFRIC 14 on a consolidated basis and given materiality levels, consider if this remains appropriate moving forward. This is outlined in Appendix 2. We considered, in discussion with management and the Actuary, the prior year and potential impact on the IFRIC 14 ceiling calculation. In reflecting, recognising the actuary and our actuary, have a different judgement, on the requirements to calculate IFRIC 14 per Fund, linked to the fund consolidation for IAS 19 purposes coupled with Audit Scotland guidance, which indicates a difference in judgement/estimate and where a degree of subjectivity, would not constitute a prior year error, we have determined no PPA is required. Lastly, in discussion with the Actuary, they indicated the prior year difference would be similar, based on a rough estimate, which would also not be material.

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 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 2023, the SPA held property, plant and equipment (PPE) of £539.4 million including land and buildings of £419 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. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will also focus our work on assets that have not been revalued to ensure the carrying value of assets is not materially different to the current value at the year-end date.	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 have not identified any material issues in respect of valuations. We have included a recommendation for management in relation to considering, potential asset values, for assets not subject to valuation in-year, to ensure no risk of material misstatement. See Appendix 2.

Financial Statements – key judgements and estimates (1)

As required in the SPA'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 and Building valuations – £79.560m	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 2024 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 2024, 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 2024 valuation as being £11.7m 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. **Conclusion** No audit adjustments have been identified as part of our audit procedures performed.	Green

Financial Statements – key judgements and estimates (3)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – Police Pension Scheme £12.369 billion	The SPA's net pension liability at 31 March 2024 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 (£12.369billion). The SPA engages with GAD (Police Pension Scheme) 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 £1,092million net actuarial gain during 2023/24, 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 auditor's 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 assumptions applied have been found to be within the appropriate range by our auditor's expert, we have determined the overall assessment of assumptions applied as reasonable. No audit adjustments have been identified because of our work performed.	Green

Financial Statements – key judgements and estimates (4)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability - LGPS £34.1 million	The SPA's net pension liability at 31 March 2024 comprises the LGPS staff scheme which has recognised an asset position for 23/24 which has been capped at nil. (£0m). The SPA engages with 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 £84.5m net actuarial loss during 2023/24, this significant movement is largely due to the asset ceiling adjustment.	• 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.	Yellow

Financial Statements – key judgements and estimates (5)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability - LGPS £34.1 million	The SPA's net pension liability at 31 March 2024 comprises the LGPS staff scheme which has recognised an asset position for 23/24 which has been capped at nil. (£0m). The SPA engages with 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 £84.5m net actuarial loss during 2023/24, this significant movement is largely due to the asset ceiling adjustment.	**Our results** As assumptions applied have been found to be within the appropriate range by our auditor's expert, we have determined the overall assessment of assumptions applied as reasonable. The pension asset has been capped at £nil in line with your actuary's calculation of the IFRIC 14 asset ceiling cap. As part of our audit procedures, we have challenged management and the actuary over the basis of undertaking the IFRIC 14 calculations on a consolidated basis including all eight LGPS pension funds. Given all funds were in an asset position, the surplus position of each needed to be considered at an individual fund level. On that basis, the IFRIC 14 calculations were re-run and this has resulted in a movement in the asset ceiling moving from a cap of nil to a surplus of £19.0m. Recognising if IFRIC 14 was considered at the fund level, not consolidated, an asset would be disclosed. On this basis, management's assumptions are considered cautious.	Yellow

Financial Statements - key judgements and estimates (6)

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.	At interim, we identified one sample item that had been disposed of and had not been written out the Fixed Asset Register. Management have undertaken a review of IT assets and have identified £14.6 million (GCRC) which have subsequently been written out. We have raised a recommendation to ensure a full review is completed across all asset categories, which was accepted by management and reported in our interim update paper to the SPA ARAC committee.	Yellow
• 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

Financial Statements - key judgements and estimates (7)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
• 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. 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

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 SPA'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 with a material impact in the period and no material 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 SPA'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 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 material fraud at the SPA.
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.
Matters on which we report by exception	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 nothing to report in respect of these matters.
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 issued an unmodified opinion in this regard.
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 SPA 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 bi-annual 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 SPA, 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, Risk and Assurance 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 consultations on Central Government Audit 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

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating: Security management	ITGC control area rating: Technology acquisition, development and maintenance	ITGC control area rating: 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

A control deficiency was identified relating to super user access for a finance team member within Asset 4000 system. As a result of our finding management has now withdrawn superuser access of the IT system from the finance member. We have not identified any inappropriate postings or use of the system because of the control weakness identified. No further issues were identified from review of relevant IT systems.

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 conclusions

This section of our report documents our conclusions from audit work on the wider scope areas set out in the Code. We take a risk-based audit approach to wider scope work. Within our audit plan we identified one significant wider scope risk in relation to financial sustainability and a significant risk in relation to use of resources to improve outcomes.

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

Wider Scope Area	Our risk considerations and focus	Risk Identified		Wider Scope Conclusion
Financial Management	The arrangements in place at the SPA to ensure sound financial management, accountability and the arrangements to prevent and detect fraud, error and other irregularities.	No	G	The SPA has operated within its revised 2023/24 budget, implementing necessary mitigation measures for early overspends, and maintained appropriate financial controls throughout the year.
Financial Sustainability	The projected financial position of the SPA in the medium to longer term and the relevance and appropriateness of assumptions applied to financial plans that will allow the organisation to effectively deliver services in the future.	Yes	R	While the 2024/25 budget processes were appropriate and benefited from a revenue uplift, it is crucial that the SPA closely monitors its financial position and addresses internal audit recommendations on investment prioritisation, while also updating its medium-term financial plans in a formal manner to align with the 2023-2026 Joint Strategy for Policing.
Use of Resources to Improve Outcomes	How the SPA demonstrates economy, efficiency and effectiveness through its use of financial and other resources.	No	G	The SPA maintains a clear vision and strategy, supported by transparent reporting and effective governance, with proactive succession planning and appropriate onboarding processes for executive officers.
Vison, Leadership and Governance	The effectiveness of the SPA's governance arrangements and the arrangements in place to deliver the vision, strategy and priorities set by the organisation.	No	A	The SPA's Best Value arrangements are appropriate, though Police Scotland could enhance its approach by bolstering resources and implementing regular self-assessments. Work is in progress within the transformation portfolio to better link benefits realisation with performance metrics in change programs.

G Appropriate arrangements are in place, minor improvement recommendations made

A Appropriate arrangements are in place, improvement recommendations made

R **Significant risk identified**

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	Plan risk	Wider scope audit response and findings	Conclusion
Financial Management Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.	No significant risks identified.	Revenue Outturn The main financial objective for the SPA is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. The SPA's financial performance against Departmental Expenditure Limits (DEL) is shown in Table 1 below. SPA reported an outturn of £1.446million against its resource budget of £1.446million. The SPA achieved a small underspend of £0.007million. SPA received an additional £80million in core revenue funding for 2023-24. Of this, £37 million was allocated to cover the additional cost of the 2022-23 pay award. To maintain a balanced budget, over £50 million in savings were incorporated, including workforce reductions and non-pay expenditure cuts. Following the Spring Budget Revision (SBR), the Scottish Government provided an additional £18.3 million to support the 2023-24 pay deal for police officers and staff.	The SPA operated within its revised budget in 2023/24.

Performance	Initial Budget £m	Final Budget £m	Outturn £m	Over/(under) spend £m
Core revenue funding	1,328.2	1,347.6	1.347.6	0
Revenue reform	20	20	20	0
Capital funding	50.1	50.1	50.2	(0.1)
IFRS 16		8.3	8.2	0.1
Capital receipts	2.5	2.1	2.1	0
Capital grant income		2.7	2.7	0

Table 1 SPA performance against fiscal resource in 2023/24

Wider scope audit (2)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial management (continued)		2023/24 was a particularly challenging year for the SPA, several financial risks were identified during the budget approval process, with some risks materialising in the first half of the fiscal year, exerting considerable pressure on the 2023-24 revenue outlook. The first quarter forecast revealed net unfunded pressures totalling £18.9 million , primarily due to overspending on pay, police staff costs, police officer overtime, and police officer pensions. To address these issues, the SPA and Police Scotland implemented mitigating actions focused on driving through savings, to achieve the financial position set. At the end of the year, there was a risk identified that cash balances may be exhausted and additional working cash capital of £10 million was requested from the Scottish Government. At the year-end, SPA ended up with cash balances of £15.5 million. The Scottish Government recommends that SPA operate with a buffer of £15 million at any point in time. Capital and reform outturn For 2023-24 SPA received a capital allocation of £53million which included capital receipts. This was the same as prior year, and didn't take account of inflation and rising costs, in capital spending. The Autumn and Spring Budget Revisions provided additional non-cash funding of £8.4m for IFRS16 technical accounting for leased assets. There was an overspend of £2m against total funding of £61.4m. Areas of greatest spend included fleet, digital and estates totalling £41.2m. Management have noted that 65% of available funding had been spent by quarter two of the financial year. The reform budget was made up of £20m funding from the Scottish Government and a further £5m from the revenue budget to support the transformation of policing in Scotland. Spending, as in previous years, has been on resource to support transformational projects. A breakeven position was achieved for the reform budget.	Mitigating measures were required to be put in place during the first half of the financial year for both revenue and capital expenditure due to significant overspends noted in the first half of the financial year. Additionally, additional working capital was received from the Scottish Government. Capital and reform budgets have been utilised in year.

Wider scope audit (3)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial management (continued)		Financial controls As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the SPA has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements. During our interim audit work in February and March 2024 we reviewed key financial systems including; the general ledger, fixed asset register and payroll system. We carried out walkthroughs of key controls and concluded that they are suitably designed to detect and/or prevent risk of material misstatement. No significant internal control weaknesses were identified during the audit and we concluded no issues were noted that would affect the SPA's ability to record, process, summarise and report financial and other relevant data and result in a material misstatement in the financial statements.	The SPA has appropriate financial control arrangements in place.
		In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption. We have reviewed the SPA and Police Scotland's arrangements, including its Fraud and Economic Crime Standard Operating Procedures and Whistleblowing Policy and concluded that SPA and Police Scotland has adequate arrangements in place to prevent and detect fraud or other irregularities. An update on frauds, thefts or losses are reported to the Audit, Risk and Assurance Committee on an annual basis.	Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate.

Wider scope audit (4)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial management (continued)		National Fraud Initiative The SPA participate in the National Fraud Initiative (NFI) which is a bi-annual counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. We carried out a review of the authority's participation in the current NFI exercise and concluded that the authority is adequately engaged. The approach to investigating matches is understood and the number of matches investigated as part of the exercise appears reasonable. NFI participation is also reported to the Audit, Risk and Assurance Committee. Four errors were identified relating to duplicate records. Management has investigated and are have successfully recovered the full value of £4,445. One active case is being pursued as a case of fraud, the impact of which is not material . No cases of fraud were identified from the matching exercise performed. PFI Contracts SPA have commitments held under PFI arrangements within their financial statements. Specifically, a 25-year PFI contract was agreed with Strathclyde Limited which was established in 2002 for the construction, maintenance and operation of the Training and Recruitment Centre at Jackton. Management have received a full valuation report for the asset, and have sought legal advice, including commission a conditions survey of the site, and are preparing a business case to go to the Board in due course for consideration.	The Authority continues to proactively engage with the National Fraud Initiative. SPA are well prepared in considering the main asset held under a PFI scheme (Jackton) which is due to end in 2027 and are producing a business case for Board approval based on advice sought from legal and other experts, including Scottish Futures Trust.

Wider scope audit (5)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability **Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.**	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.	2024/25 Financial Planning- Revenue The SPA has approved a balanced budget. This includes a core revenue funding increase of £75.7 million (5.6% increase) , aimed at sustaining the police resource budget. The allocation supports a core budget for up to 16,600 officers (plus additional officers funded by external sources such as local authorities) and the baseline number of police staff following the current Voluntary Redundancy/Voluntary Early Retirement (VR/VER) program. The revenue increase will be directed towards resuming officer recruitment to boost current numbers, covering the additional costs of the 2023/24 pay award for officers and staff, and assessing the pay award for 2024/25. The 2024/25 budget also considers forecast cost pressures, including premises expenses, new technology, ill-health retirements, and injury pensions, as well as inflation and expected pay awards for 2024-25. A recent change in employer pension contribution rates has provided a short-term financial benefit, which is non-recurring and therefore should not be used to fund ongoing pressures , therefore will be used to support the ongoing VR/VER program. Key drivers of the increase in the non-pay budget include rising premises costs and the effects of ICT transformation. 2024/25 Financial Planning- Capital Capital funding of £66.1 million was confirmed for 2024-25, including capital receipts and IFRS 16 adjustments, resulting in an increase of £11.7 million (22.1%) from the prior year. The funding represents an improvement over the previous year's flat cash allocation however, it remains lower than the amount requested in the budget proposal submitted to the Scottish Government, necessitating a prioritisation of projects. As with the previous year, £25.0 million has been earmarked specifically to support reform and transformation initiatives.	**Budget processes undertaken for the 2024/25 financial year were appropriate. There is less risk built into the 2024/25 budgets given the revenue uplift however, given the significant overspends identified in the first half of the prior financial year it is important that the authority continues to closely monitor the in year financial position.**

Wider scope audit (6)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)		SPA and Police Scotland management highlight that capital and reform demands and requirements significantly exceed the available funding. Allocations have been aligned with the Chief Constable's priorities, focusing on service delivery in areas of highest threat, risk, and harm, substantial investment in digital capabilities, initiatives that provide the greatest benefit to communities and personnel, and spend-to-save strategies. The largest budget allocations have been directed towards Estates, Fleet, the Digital Division, and the Change Portfolio (which includes digitally enabled policing). Medium to longer term financial planning – Capital During 2023/24, the Authority conducted a review to update the capital strategy , extending its outlook over the next five years. SPA has estimated a need for £548 million in capital funding over this period to meet its requirements. I flat cash funding, or minimal increases, continue for the next five years, the Authority anticipates a funding shortfall of £298 million. To address the immediate gap, the Authority has approved necessary funding, but the pace of project delivery is constrained by the available resources, which shifts cumulative underfunding into future years, which is not a sustainable position. A report submitted to the Resources Committee in August 2023 highlights "*If continual under-funding persists, the organisation will be unable to make the investment required to meet the objectives of the Joint Strategy for Policing, and will restrict the ability to deliver against organisational strategies: such as estates, fleet and digital.*" Given the funding settlement, prioritising investments is essential to balance capital budgets while ensuring key policing priorities and objectives are met. An internal audit of the investment prioritisation process resulted in a limited assurance opinion regarding its design and operational effectiveness. While the budget-setting process was found to be well understood and controlled, the audit highlighted a lack of transparency in the investment prioritisation process, which is critical for managing public funds. The Authority should look to address the audit findings promptly to strengthen the investment prioritisation process in light of the identified capital funding challenges. The Audit, Risk and Assurance Committee should look to monitor the follow-up of implementation of recommendations made by internal audit. .	Capital budgets have been aligned to the Chief Constables priorities for policing. The organisation should look to address internal audit recommendations made in its investment prioritisation process to ensure they can meet key objectives amid ongoing capital funding challenges.

Wider scope audit (7)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)		Medium to longer term financial planning – Revenue SPA's medium term financial plan (MTFP) covering 2022/23 – 2026/27 was approved by the board in September 2021. The MTFP takes into account financial scenario planning however is linked to the previous Joint Strategy for Policing (2020), not the current strategic plan which covers 2023 – 2026. As such there is no clear link between the extant medium term financial plan and the current strategic plan. Management has undertaken various scenario analysis and medium term planning internally and have outlined it is their intention to take a formal updated plan through board in September 2024. We made a recommendation within our prior year annual audit report that "*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.*" Despite the completion of a sensitivity analysis, a formal update of the medium-term financial plans has not been conducted. Our previous recommendation remains open, and we advise that the SPA look to formally refresh its medium-term financial plans to ensure alignment with the new Joint Strategy for Policing.	The SPA should review and refresh its current Financial Strategy 2022/23-2026/27 to align with the 2023-2026 Joint Strategy for Policing.

Wider scope audit (8)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, leadership and governance Public sector bodies must have a clear vision and strategy that sets priorities for improvement. They work together with partners and communities to improve outcomes and foster a culture of innovation.	No significant risks identified.	Vision- Corporate Strategy In May 2023, the Authority approved the Joint Policing Strategy 2023-2026. The Authority has a clear vision included within the strategy which outlines the primary strategic challenges and opportunities for both policing and the broader public sector, establishing an agenda for change and transformation. The Authority's Corporate Strategy 2023-2026 was approved in March 2023 and sets out five outcomes which aligns to the Scottish Government's Strategic Police Priorities as well as the Strategic Police Plan and Forensic Services Strategy. The Corporate Strategy is underpinned by an implementation plan. Public reporting on progress on the implementation plan and corporate strategy is done via annual assessment within the annual report and accounts and regular reporting to the audit, risk and assurance committee.	The SPA has a clear vision and strategy and is supported through transparent public reporting on progress.
		Governance and Leadership The key elements of the authority's governance arrangements are set out in the Governance Statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate. Papers and minutes for board and the committees are available on the SPA's website. Meetings are broadcast live and available via webcast to watch back. This ensures that the public have access to the authority's decisions on a timely basis. In our view, scrutiny arrangements are working well at the SPA. An internal audit review was carried out in October 2023 to review the controls over decision making covered governance of Police Scotland. A moderate level of assurance was provided over the design and effectiveness of controls in this area. Good practice was recognised including streamlined governance with a unified reporting template and dedicated secretarial support. Meetings follow a consistent schedule, with clear timelines to ensure coordination and alignment with reporting cycles. The report also concluded that there were opportunities to further improve controls to ensure timeliness of paper submission and annual planning of content to ensure governance responsibilities are effectively discharged.	Governance arrangements are appropriate.

Wider scope audit (9)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, leadership and governance (continued)		We have identified good practice in the annual committee effectiveness work undertaken by the Authority. An overall evaluation is considered annually by the Audit, Risk and Assurance Committee which evaluated that committees had effectively discharged their duties in line with their terms of reference with no significant issues highlighted. Ongoing improvement areas were identified, including enhancing the length and detail of committee reports and better tracking of actions. Members recognised progress in the corporate support provided to committees and in increasing the transparency of committee discussions. 2023/24 has seen changes within the board committee with two long standing members retiring and three new members being appointed. There are nine out of twelve members due to end their appointment in the 2024/25 financial year however five members have all been recommended to the Chair for reappointment and discussions are ongoing with the Police Division regarding scheduling another member recruitment round in early 2025 to mitigate any vacancies. The SPA have been forward looking regarding the potential future changes in members and are in discussions with the Police Division regarding succession planning. Police Scotland has undergone significant changes within its senior leadership team, including several new appointments and the appointment of a new Chief Constable in October 2023. To facilitate a smooth transition and maintain consistency in operational processes and performance, a tailored 2-3 week executive onboarding plan was implemented. This plan, supported by templates and toolkits, was developed in coordination with the onboarding line manager to cover all key areas. The process is overseen by the Executive Support team within Police Scotland. We have inspected a copy of an onboarding plan and conclude that appropriate measures have been established to ensure effective onboarding procedures for executive officers.	The SPA has proactively engaged in discussions with the Police Division regarding succession planning to anticipate and prepare for potential future changes in membership. We conclude that effective measures have been implemented to ensure an appropriate onboarding processes for executive officers.

Wider scope audit (10)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, leadership and governance (continued)		Revision to governance structures in year. The Deputy Chief Officer left the organisation in May 2024. The Deputy Chief Officer, oversaw the Police Scotland corporate functions, and this post, was a non-policing post. This role covered finance, people, change and transformation, IT, and digital services. An HMICS review of culture of policing (December 2023) alongside a separate independent review of Police Scotland governance, concluding in May 2024 both highlighted the importance of joining policing and the corporate functions together. This was to ensure policing, service delivery and the running of Police Scotland did not sit in silos, and the impact of decisions were understood across all aspects of the service. As a result, in May 2024 the Chief Constable determined that Police Scotland would adopt a matrix model going forward and a Deputy Chief Officer post was no longer required at this time. Going forward the Deputy Chief Constable (Local Policing) will have the Chief Finance Officer (CFO) reporting, into them, alongside the Chief Digital and Information Officer (CDIO). The People and Development Director and Director of Strategy and Analysis report into the Deputy Chief Constable People and Professionalism. We note, the Chief Finance Officer, remains an executive post, attending the Board and other governance committees and it is important this continues. The Chief Finance Officer also has a dual reporting line, to the Chief Executive (as Accountable Officer) of SPA, again this remains appropriate. There is a synergy between people, finance, strategy and digital, and being split, into two different DCC reporting lines could result in decisions, being taken in isolation, or decisions, being made, without consideration of a broader impact. There could be a risk (perceived or actual) in the Chief Finance Officer having a direct reporting line to the DCC for Policing, the largest budget area (and spend) within Police Scotland, and the independence, needs to be maintained. Lastly, under the current governance structure, care should be taken to not create too many forums, which sit in isolation, within the structure, which may require cross-divisional input that may be omitted, and clarity should be maintained on what is a decision-making group, and where decision making takes place, remains clear.	We note the new governance model in place within Police Scotland. This model is now being embedded and one we will consider, further in our 2024/25 audit work to ensure potential areas of risk, as identified, do not materialise or are sufficiently mitigated as the governance model is embedded.

Wider scope audit (11)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Use of Resources to Improve Outcomes Public sector 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.	No significant risks identified.	Best Value- SPA Ministerial guidance to Accountable Officers for public bodies and the Scottish Public Finance Manual (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement. SPA Corporate undertake an annual self-assessment which was considered by the Audit, Risk and Assurance Committee. The SPA undertook seven facilitated Best Value workshops utilising the Scottish Government's guidance for Accountable Officers and involved completing an assessment against a number of defined indicators, with a number of stakeholder across the SPA involved. Improvement actions identified from the self-assessment are being progressed through the current service plan. Deep dive areas have also been agreed including Equality and Performance Management. HMICS undertook a strategic review of the SPA and concluded "*The SPA has a strong commitment to self-evaluation to support improvement. Its detailed 2023-24 Best Value self-evaluation exercise has been carried out effectively, involving staff and using appropriate statutory guidance. It has also been transparent in reporting its approach and results and demonstrating clear ownership of the outputs.* *The SPA recognises the need to further develop its approach to self-evaluation against best value characteristics. Future exercises can be strengthened by inviting wider participation and more fully encompassing all of its roles, including its role in holding Police Scotland to account.*"	The SPA's arrangements to demonstrate Best Value are deemed appropriate.

Wider scope audit (12)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Use of Resources to Improve Outcomes (continued)		Best Value- Police Scotland Under the Police and Fire Reform (Scotland) Act 2012, the Chief Constable has the duty to make arrangements which secure best value for the Police Service. An update on Police Scotland's approach to demonstrating Best Value was taken to the Audit, Risk and Assurance Committee in May 2024. The update noted that following completion of a Best Value (BV) pilot carried out in 2023/24 plans were being developed to recruit a BV team however due to a recruitment freeze this had been put on hold. During this time an internal audit advisory review was undertaken looking at Best Value Readiness. The review found that the Authority has outlined an approach to ensure Best Value assurance in Police Scotland, including appointing a Head of Best Value and completing a pilot thematic review of Procurement. Plans are in place to involve force executives to conduct self-assessments, supported by regular check-ins with the Best Value team, and the use of the 4 Action tool to track progress. However, risks were identified, including resourcing constraints and paused project progress reporting. Additional opportunities for improvement included better monitoring of time and resources, the need for written procedures, and more evidence of 4 Action system use to track completion of actions from self-assessments . Audit Scotland have outlined their intention to carry out a best value review of the SPA during 2024/25. Transformation and Change Programmes During 2023-24, key areas of transformational change included: • Digital Evidence Sharing Capability (DESC), progressing towards a go-live in early 2024/25. The Authority and Audit, Risk and Assurance Committee played a role in overseeing the pilot phase and ensuring compliance with data protection standards. • Body Worn Video (BWV), with the Full Business Case and Contract Award approved by the Resources Committee in February 2024, paving the way for the project's rollout in 2024/25.	Police Scotland's approach to demonstrating Best Value could be enhanced by strengthening resources in this area and conducting a self-assessment against Best Value characteristics.

Wider scope audit (13)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Use of Resources to Improve Outcomes (continued)		Transformation and Change Programmes (continued) • Corporate Transformation, where the Strategic Efficiency Redesign & Reinvestment Business Case and Contract Award was approved by the Resources Committee in December 2023, to look at enhancing Police Scotland's efficiency and effectiveness. • Estates Transformation, which saw focused efforts this year, including an Estates Improvement Programme paper presented to the Resources Committee in August 2023, followed by an update in December 2023, outlining a strategic review of the current estate portfolio. During the year, oversight and scrutiny of the change portfolio was transferred from the Audit, Risk, and Assurance Committee to the Resources Committee. The Resources Committee continues to oversee the tracking of benefits realisation and the scrutiny of business cases for change projects . It is our view that the scrutiny of the change portfolio sits appropriately within the remit of the Resources Committee. Quarterly updates were provided to the Resources Committee on the tracking of Transformational Benefits. Work to review and enhance benefits realisation is ongoing through the Operation Evolve workstream and the revised model for policing activity. A previous Audit Scotland recommendation made in 2021/22 outlined "The SPA 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." Work has been undertaken by Police Scotland to improve benefits reporting to the SPA Resources Committee however Police Scotland have identified difficulties in linking FTE savings to changes in performance metrics due to a number of influencing factors. This recommendation continues to remain in progress as work on Operational Evolve progresses.	Transformation and change programmes have continued to progress in 2023/24. Reporting of tracking of benefits realisation has improved however, work continues to review the impact on linking benefits realisation to performance metrics through change programmes.

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 of the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
SPPA Pension Payments SPPA make monthly payments on behalf of the SPA for pensioners. The SPPA in turn invoice SPA for the payments made monthly. In April 2024 the SPA received an invoice from SPPA which included payments made for 2023/24 pension payments as well as 2024/25 pension payments. The 2023/24 pension payment was correctly included in the SPA's financial statements as an expense to the pension fund account and creditor within the Statement of Financial Position. The 2024/25 pension payment however was included in the Statement of Financial Position as a prepayment and corresponding creditor as the invoice was not paid until April 2024. It is our view that the 2024/25 pension element should not have been included within the Statement of Financial position as this relates to 2024/25 expenditure and the invoice had not been prepaid as at 31 March 2024. We believe that under the accruals accounting principle this transaction should be recognised in the 2024/25 financial statements.	No impact	DR Creditors £19,242 CR Prepayments £19,242	No impact

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
Local Government Pension Scheme – Prior Period Adjustment Within the IFRIC 14 calculations, secondary contributions should be calculated across the funding horizon period. In 2022/23, the calculation was based on the assumption that secondary contribution continue in perpetuity which is incorrect. As such, an updated IFRIC 14 assessment was obtained and given the materiality of the updated figures, a prior period adjustment has been accounted for within the financial statements. The 2023/24 IFRIC 14 calculation was calculated over the horizon period and no adjustment was required in the current year.	2022/23 Impact: DR IAS 19 Actuarial (Gain)/Loss £80,535 2023/24 Impact: Dr IAS 19 Actuarial (Gain)/Loss £84,440 CR Pension Fund Interest £3,905	2022/23 Impact: CR Pension Asset £47,086 CR Pension Liability £33,449 2023/24 Impact: CR Pension Reserve £80,535	2022/23 Impact: DR IAS 19 Actuarial (Gain)/Loss £80,535 2023/24 Impact: Dr IAS 19 Actuarial (Gain)/Loss £84,440 CR Pension Fund Interest £3,905 CR Pension Reserve £80,535
Overall impact 2023/24	DR £80,535	CR £80,535	No impact
Overall impact 2022/23	DR £80,535	CR £80,535	DR £80,535

1. Audit Adjustments (3)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. We are required to report all non-trivial misstatements to those charged with governance, and whether 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
IFRIC 14 Asset Surplus SPA's IFRIC 14 calculations were undertaken on a consolidated basis for all eight LGPS schemes. Given all funds were in an asset position, the surplus position of each needed to be considered at an individual fund level. The IFRIC 14 calculations were re-run and this has resulted in a movement in the asset ceiling.	CR IAS 19 Actuarial (Gain)/Loss £19,000	DR Pension Asset £19,000	CR IAS 19 Actuarial (Gain)/Loss £19,000	This item has not been adjusted as it is not material and relates to an area of judgement with regards to the calculation of IFRIC 14.

1. Audit Adjustments (4)

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 SPA's reported financial position.

Disclosure	Auditor recommendations	Adjusted?
Review of Annual Report and Accounts (General)	We identified minor casting errors and formatting issues as part of our review of the Annual Report and Accounts. These were raised and processed by management where necessary and do not require separate reporting.	Yes
Other Information	We have identified minor amendments required to be made to the annual report to ensure it is consistent with the financial statements. These have been amended by management and do not require any separate reporting.	Yes
Remuneration and Staff Report	We identified the following issues within the Remuneration and Staff Report which have subsequently been updated: **Severance Payments:** The draft financial statements disclosed one individual with a severance payment between 50k-100k however, from testing, this individual should have been within the >£200k band. **Exit Packages:** From our testing completed, there were two individuals whose bandings were incorrectly disclosed. **Subject to Audit:** The disclosures which are subject to audit which where not clearly identifiable in line the FReM have been updated to make this explicit.	Yes

1. Audit Adjustments (5)

Misclassification and disclosure changes (continued)

Disclosure	Auditor recommendations	Adjusted?
Accountability Report: Losses, Special Payments and Write-Offs	The prior year comparator for losses and special payments had to be updated as it was incorrectly rolled forward from the prior year. This now matches the figures per the prior year signed financial statements.	Yes
Note 7: Property, Plant and Equipment	Enhanced narrative disclosures have been added to the Annual Report and Accounts to detail the review of nil NBV assets and the resulting impact on the gross carrying value and accumulated depreciation value.	Yes

1. Audit Adjustments (6)

Impact of unadjusted misstatements reported in the prior year (2022-23)

The table below provides details of all unadjusted misstatements brought forward from the 2022/23 audit. Management did not to amend the financial statements for these errors, as they were not material. We are required to consider, the prior year unadjusted misstatements, in the context of the 2023-24, to determine if there is a subsequent risk of material error in the current year (2023-24). We have concluded there is no material impact on 2023-24 and this is summarised below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on 23-24 Accounts
Expenditure Completeness We identified minor errors in cut-of considerations, between March and April. The cumulative impact was £11,000.	DR Expenditure £11	CR Creditors £11	DR Expenditure £11	No material impact
Land and building valuations An asset was included in the valuation report as £6.15m instead of £6.615m resulting in an asset understatement of £465,000.	CR Gain on revaluation £465	Dr, PPE £465	CR Gain on assets revalued £465	Corrected in the 23-24 valuation exercise
Land and building valuations Estimation of incorrectly including 3% uplift for financing costs to all assets valued.	DR Gain on asset revalued £3,778	CR PPE £3,778	DR Gain on assets revalued £3,778	This was an estimate and finance costs uplift not applied in 2023-24.
Cash and cash equivalents Cash held in confiscation accounts had been incorrectly included as an asset in SPA accounts.	Nil	DR Creditors CR Cash £1,295	Nil	Restated in the 2023-24 accounts on the basis of consistency.
LGPS Pension Asset From the pension fund assurances errors were identified in asset values of £3.5million in 3 pension funds.	CR IAS19 Actuarial Gain £3,535	DR Pensions Asset £3,535	CR IAS 19 Actuarial Gain £3,535	IAS 19 and revised calculations in 2023-24.

2. Action plan and recommendations – Financial statements audit

We have identified two recommendations during our audit of the financial statements for the year ended 31 March 2024. We have agreed our recommendations with management and will report on progress on these recommendations during our 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	1. IAS 19 Consolidated Reporting Management have consolidated their IAS 19 reporting including when considering IFRIC 14 calculations. As a result, it is difficult to establish the individual asset positions (e.g. surplus or deficit) which results in the potential distortion of financial information when combining data.	We recommended that management alongside their actuary review the current treatment of reporting IAS 19 and IFRIC 14 on a consolidated basis and given materiality levels, consider if this remains appropriate moving forward. Management Response: Accepted Responsible Officer: Head of Accounting and Control Implementation Date: 31 March 2025
Medium	2. Asset Not Revalued Management made a high-level assessment of EUV assets not revalued, noting that they are satisfied that assets are not materially misstated due to the controls that they have in place. These controls include monthly meetings with their estate colleagues to review the status of their properties which provides opportunities to discuss any potential impairment issues and capital improvement works and through detail discussions with the valuer across the financial year.	We recommend that management establish an annual assessment of assets not revalued including assets valued on an existing use value basis. This should consider the rationale and a material impact assessment for each asset, consideration of the cumulative impact and where appropriate, use of indices to support the underlying assessment. Management Response: We will look to document management's assessment of assets not revalued in line with the audit recommendation. We will keep under consideration the use of indices but at this time, we deem the use of indices inappropriate given the diverse portfolio and geographic spread of our Estate and that the unique nature of police buildings are not easily compared to standard offices. Responsible Officer: Estates Lead Implementation Date: March 2025

Controls

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

3. 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	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. **Recommendation:** 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.	We now have the required documentation in place for the Valuer's Terms of Engagement.	We are satisfied that management in place Terms of Engagement with the valuer. Satisfied recommendation has been closed.

Assessment

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

3. 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	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. **Recommendation:** 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.	This point was concluded with our auditors earlier this calendar year. We proposed an amended methodology to address the issues and they were content. Revised calculations would be subject to normal review and scrutiny a part of Grant Thornton's (GT) year end audit work.	We are satisfied that management has performed a review of their investment property portfolio to assess the classification of assets as either operational property, plant and equipment or investment properties. This has resulted in a reclassification of a number investment properties to operational property, plant and equipment. Satisfied recommendation has been closed.

3. Follow up of prior year recommendations (3)

Recommendations from financial statements audit (continued)

Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Green	**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. **Recommendation:** 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.	We seek to organise training for Forensics staff however this was not possible until a central purchasing team for FS is set up in 2024/25. Instead its place enhanced instructions in the year-end P2P Newsletter were provided.	We have not identified any issues regarding expenditure completeness from our testing carried out in 2023/24. Satisfied recommendation has been satisfactorily 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.	Further issues remain in 22/23 audit as a result of resourcing issues in P&D and has since been rectified..	We identified one minor error in testing all exit packages in year. Whilst improvements have been evidenced, given this minor amendment we have recorded this as amber.

3. Follow up of prior year recommendations (4)

Recommendations from wider scope audit

Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Amber	**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.	Various scenario planning was undertaken to inform the 2024/25 budget bid into Scottish Government which resulted in an increase in both revenue and capital funding for the current year. We are now committed to developing a clear vision and target operating model for the future of our service which will enable us to develop a 3-year plan for the delivery and prioritisation of core services alongside our journey of service and organisational transformation. This plan will drive the change to a new operating model for Police Scotland which will enable the key priorities for the service: • The prioritisation of service delivery against areas of greatest threat, harm and risk; • The strengthening of our community policing model to enhance proactivity, problem solving and the prevention of crime and harm; and • Appropriate support for the wellbeing of our officers and staff. The plan will also maximise efficiency within the service to ensure ongoing sustainability and balanced budgets, and opportunities for the reinvestment into new areas of capability to keep Scotland safe.	Recommendation remains in progress. We are satisfied that the scenario planning undertaken, is reasonable and this is in line with other public sector bodies . One year funding settlements make it difficult to effectively plan beyond the short-term. The Board in September has on the agenda to consider, further financial planning scenarios, covering revenue and capital and continue to discuss with the Scottish Government a future longer-term funding model that supports the ambitions of policing and effective workforce planning.

3. 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
Amber	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.	A prioritised capital allocation (including a modest slippage target) was approved as part of the 2024/25 budget. As noted above, work is ongoing to develop a 3-year plan for the delivery and prioritisation of core services alongside our journey of service and organisational transformation. Central to this plan will be the requirement for increased capital investment to ensure that the organisation can be as efficient and effective as possible.	During 2023/24 the Authority conducted a review to update the capital strategy, extending its outlook over the next five years. The SPA has estimated a need for £548 million in capital funding over this period to meet its requirements. One year funding settlements from Scottish Government do limit SPA's ability to effectively plan the capital programme, and any uncertainty, cannot be accommodated, with short-notice on mullti-year capital programmes.

3. 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
Amber	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.	Commitments relating to change portfolio programmes or projects (including milestone achievement and benefits realisation) will be reported outside of quarterly and end of year data based performance reporting that this framework relates to. Reporting performance, including against the Change Portfolio, throughout 2024/25 will be under the Chief Constable's Priorities which align to the Strategic Outcomes set out in the Joint Strategy for Policing. Although reporting will be displayed against the priorities, this alignment ensures Police Scotland will continue to operate, evidence progression and contribute to the overarching outcomes. A consistent and values based approach to performance management is central to service delivery and maintaining public confidence and trust. Learning from others has also informed our approach for the coming year. HMICFRS recommend the use of the National Decision making Model as a blueprint for good strategic Performance Management in their Police Performance – Getting a Grip report. This informed with our new approach to Tasking and Co-ordination across the Service has improved and streamlined how we identify and escalate threat, harm and risk and make the most effective use of our resources which, in turn, provides a more focused service delivery to communities, monitored through our Performance Framework. *(management response continued on next page)*	Work has been undertaken by Police Scotland to improve benefits reporting to the SPA Resources Committee however Police Scotland have identified difficulties in linking FTE savings to changes in performance metrics due to a number of influencing factors. This recommendation continues to remain in progress as work on Operational Evolve progresses.

3. 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
Amber	Use of Resources- Change Portfolio (continued)	We are implementing a new approach to Performance with the development of Key Performance Indicators (KPI) and Management Information (MI). These have been strengthened with enhanced insights from national systems, including the new National Crime System that has now been rolled out across the Service. Coupled with this we have utilised new data analytics to build a new suite of Power BI Performance Dashboards. These dashboards enable instant access to a wide range of data across priority areas and flag performance exceptions at a glance. They also provide a single source of truth Service wide in relation to data and provide 'drill down' to inform problem solving approaches. Change covered under the umbrella of Project Evolve with enhance focus on performance measures and benefit realisation.	

3. 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	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.	The SWP is a pilar of Operation Evolve as a key element of the transformation roadmap.	Recommendation remains in progress as management are updating the strategic workforce plan in conjunction with Operation Evolve and wider review and proposed restructure of Police Scotland. The workforce plan is key, to also supporting SPA in future financial planning, linked to commentary on financial sustainability of the revenue and capital planning.

3. 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
Amber	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 review of the risk management arrangements in their entirety has been conducted with a number of improvement opportunities identified. The cumulative effect of these improvement opportunities will see a shift in our risk profile, with greater focus on review and mitigating actions supporting score reductions. These improvement areas are outlined below: Risk Framework Document: Improvement Opportunity - conduct review of escalation/de-escalation criteria Outcome - fewer risks on Tier 2/Organisational risk registers, allowing for more focused oversight by the Boards. Risk Matrix: Improvement Opportunity - Percentages added to probability scale and wording updated as per guidance from Institute of Internal Auditors - complete and undergoing testing by risk team. Benchmarking exercise has commenced with English/Welsh police forces with a view to amending impact factors Finance team to review descriptors within the Finance category Outcome - greater clarity for risk leads when scoring risks resulting in more accurate scoring Monitoring and Review: Improvement Opportunity - Create guidance for the risk officers for conducting risk reviews Outcome - guidance will support greater focus on controls/actions and their intended effects, and increased monitoring of progress. *(management response continued on next page)*	Work has been undertaken in Police Scotland to review the risk management process and appetite. Timeframes to complete this process have been extended to December 2024 and therefore recommendation remains in progress.

3. 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
Amber	Risk register scoring (continued)	Risk Appetite: Improvement Opportunity - review of methodology, and provision of example risks to facilitate discussion at risk appetite reviews Outcome - informed discussions which support setting of appetite/tolerance levels which are realistic and achievable Risk Analysis Tools: Improvement Opportunity - Template for developing risks to support documentation of causes and impacts, and development of controls specifically designed to address causes and impacts Outcome - Risk analysis template will allow controls to be designed to address causes and impacts, making them more effective in mitigating the risk. Risk Management Software: Improvement Opportunity - Migrate to v2 of 4Risk – complete Explore the reporting capability to automate reporting as much as possible Outcome - capacity is created within the risk team, moving away from administrative tasks to working with their business areas to provide challenge on the risk information provided, and act as a critical friend. Risk Culture - Capabilities and Training: Improvement Opportunity - Resume risk management training Develop training for senior officers – appetite, leading risk discussions Risk Champion role profile to provide clarity on roles and responsibilities Development of risk champion network/forum within Local Policing to identify areas of commonality and aggregated risks Outcome - Training will improve knowledge and application of the framework, improving overall risk culture These improvements will have varying target dates, but it is anticipated that all should be complete and embedded by December 2024. Evidence as to the effectiveness will be obtained via a comparison of the risk profile at December 2024 compared to December 2023, with a greater number of risks within appetite/tolerance.

3. Follow up of prior year recommendations (11)

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.	Police Scotland have best value arrangements in place however, work is currently ongoing to strengthen those arrangements. The Updated plan was presented to CFB on 30/07/2024. The plan was agreed, and recruitment is already underway. The original plan has been modified and the timescales revised. The updated plan is based on the Public Service Improvement Framework (PSIF) set up by the Improvement Service, a Scottish not-for-profit funded by the Scottish government, to provide public sector improvement guidance.	As per our review undertaken as part of our wider scope work we have concluded that Police Scotland's approach to demonstrating Best Value could be enhanced by strengthening resources in this area and conducting a self-assessment against Best Value characteristics. Recommendation remains in progress.

3. Follow up of prior year recommendations (12)

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 SPA 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.	Key theme of project evolve and a priority for the organisation. Enhance focus on benefit realisation. We have improved our benefits reporting to SPA Resources Committee and expanded this to ARAC also. There are some tweaks that remain to be done to the reports so there will be further evidence of refinement by the time this action is due. There have been no FTE savings since the audit findings were produced that we can reliably link to a change in performance metrics as these can be influenced by a number of factors. Any significant release of officers or staff are most likely to be dispersed throughout policing making this an even more difficult task to quantify. We would need to have released the officers/staff to a specific operation, task force or other risk in order to unfailingly attribute the saving to a movement in a risk or KPI. We recognise the importance of benefits measurement and reporting and have made improvements in the time since this recommendation was made including the inclusion of the APU as a key stakeholder for Business Cases. We have reported on many benefits where officer time savings have been made along with qualitative improvements. We are continuously improving in this area and have a wide range of demand data available to support measuring benefits more generally but the reporting against FTE savings alone is not something we have available at this time or in the near future. We will be able to demonstrate our processes during the next audit of Change Management practices scheduled for 2024/25. *(management response continued on next page)*	Work has been undertaken by Police Scotland to improve benefits reporting to the SPA Resources Committee however Police Scotland have identified difficulties in linking FTE savings to changes in performance metrics due to a number of influencing factors. This recommendation continues to remain in progress as work on Operational Evolve progresses.

3. Follow up of prior year recommendations (13)

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 (continued)	Our workforce is changing and our focus is on releasing capacity of officers to focus on high risk/threat, prevention activities, improving the consistency and quality of our investigations and a greater focus on people management to support the wellbeing of our staff. These are benefits that will be evidence through our performance framework over time and not be evidenced through one example alone. We are working collaboratively with SPA Corporate to provide improved reports for scrutiny by SPA Resources Committee. It should also be noted that we are moving away from FTE reporting and now report in hours saved as an indication of time saved.	

4. 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.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Board's Ethical Standard.

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 SPA 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 entity or investments in the organisation 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 organisation 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 SPA.
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 organisation'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.

4. Audit fees, ethics and independence (2)

Fees and non-audit services

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 SPA. The table summarises all non-audit services which were identified.

~~External Audit Fee~~

Service	Audit Plan £	Annual Audit Report £
External Audit Remuneration	£231,050	£231,050
Pooled Costs	£2,470	£2,470
Sectoral cap adjustment	£57,630	£57,630
2023/24 Audit Fee	**£291,150**	**£291,150**

The fees reconcile to the financial statements.

- Fees per financial statements £291,150
- Total fees per table above £291,150

Fees for other services

Service	Fees £
We confirm that for 2023/24 we did not receive any fees for non-audit services	Nil

4. Audit fees, ethics and independence (3)

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 2023 (grantthornton.co.uk)

5. 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 SPA'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.		•