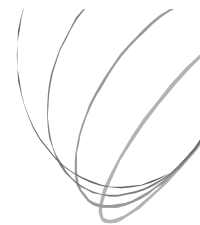


Strathclyde Joint Police Board

Report to Members on the 2005/2006 Audit

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Key Messages

Introduction

In 2005/06 we looked at the key strategic and financial risks being faced by the Board. We audited the financial statements and we looked at aspects of performance management and governance. This report sets out our key findings, summarising key outcomes in 2005/06 and the outlook for the period ahead.

Key outcomes from 2005/06 audit

We have given an **unqualified** opinion on the financial statements of Strathclyde Joint Police Board for 2005/06. The financial statements present fairly the Board's financial position.

The Statement on the System of Internal Financial Control complies with accounting requirements and is not inconsistent with audit findings. We are pleased to note that the Director of Finance and Resources introduced a process whereby assurances were received from key staff as to the effectiveness of the internal control environment.

The Board had corporate governance systems in place during 2005/06 that operated well within a sound control environment. We noted the developing risk management framework and the need to further embed its risk management approach throughout the Force.

All statutory performance indicators were assessed as 'A' i.e. data appears reliable. We did however note instances where performance could be improved, for example, sickness absence for both uniformed and support staff are above the national average with support staff sickness absence being the highest in Scotland. In addition, public dissatisfaction with their initial contact with the police and the way in which the police dealt with their matter has risen markedly since the indicator was last reported although it should be noted that the survey used to collect the information has been subject to change.

We noted that the Board is continuing to develop its approach to asset management planning through the asset management project team. Following a review of requirements, the Board has now recently selected a preferred supplier and is currently in discussion with a view to customising the software.

In its aim to achieve best value in the delivery of its services, Strathclyde Joint Police Board needs to consider how best to achieve efficiencies. Together with the efficient government agenda, this means that the Board, along with Scotland's other 7 police forces must identify areas where they can deliver the same service for less money and/or enable frontline services to deliver more or better services with the same money in order to contribute their share of £54 million of cash and non-cash savings required by 2007/08. While procedures for measuring efficiency targets continue to be refined, the Board has identified that the target set for 2005/06 of £14 million has, in fact, been exceeded.

In addition, as a result of the Police, Public Order and Criminal Justice (Scotland) Act 2006, the Board will be further responding to the Efficient Government agenda through the review of common police services and the role of back office support. This Act will have far reaching effects on all Forces.



At the end of the year the Board had a large favourable variance against its 2005/06 budget largely as a result of a slower than anticipated pattern of retirements. However, overspends of up to £1million were recorded in police salary costs during the year. The overspend was due to staff turnover not being as high as anticipated and the advanced recruitment of officers to offset the predicted levels of retirements.

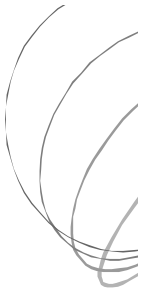
This is the final year of our current appointment to the audit of the Joint Board. From 2006/07 PricewaterhouseCoopers will take over as the new appointed auditor for the next 5 years.



Introduction

1. The members and officers of the Board are responsible for the management and governance of the organisation. As external auditors, we review and report on the arrangements in place and seek to gain assurance that:
 - the financial statements have been prepared in accordance with statutory requirements and that proper accounting practices have been observed;
 - the Board's system of recording and processing transactions provides an adequate basis for the preparation of the financial statements and the effective management of assets and interests;
 - the Board has adequate corporate governance arrangements which reflect the three fundamental principles of openness, integrity and accountability;
 - the systems of internal control provide an appropriate means of preventing or detecting material mis-statement, error, fraud or corruption;
 - the Board has proper arrangements for securing best value in its use of resources and is complying with its community planning duties; and,
 - arrangements have been made to collect, record and publish statutory performance information.
2. This report summarises the most significant issues arising from our work during 2005/06. More detailed reports to management, including agreed action plans, have also been submitted to officers throughout the year.
3. This is the final year of a five year audit appointment. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the Board during the course of our audit work.

Financial statements



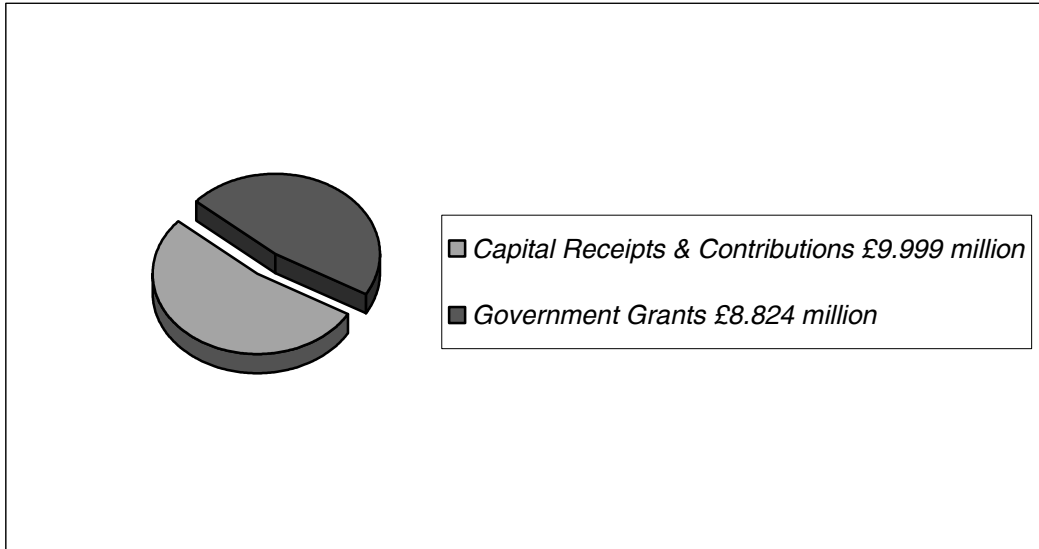
Auditor's report

4. There are no qualifications to my audit report as, in my opinion, the financial statements present fairly both the Board's financial position at 31 March 2006 and its income and expenditure during the year.
5. The Board's balance sheet has an excess of liabilities over assets of £3,405 million due to the accrual of pension liabilities in accordance with accounting standards. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on financial statements. One of the indications that may give rise to going concern considerations is an excess of liabilities over assets.
6. The Statement of Accounting Policies outlines the Treasurer's view that it has been considered appropriate to adopt a going concern basis for the preparation of the financial statements as the accounting requirements for pensions do not impact on the underlying basis for meeting the Board's current and ongoing pension liabilities. Future pension liabilities will be met, as they fall due, by government grant and contributions from constituent authorities in the normal way. We are satisfied that the process the Board has undertaken to consider going concern is reasonable.

Financial position

7. The Board's net revenue expenditure in 2005/06 was £491.316 million and was met by government grants and constituent authorities' contributions of £488.319 million, resulting in a deficit for the year of £2.997 million to be met from the planned use of balances brought forward.
8. In her foreword, the Treasurer summarises the reason for the deficit. The 2005/06 budget assumed that £3.657 million of the balance due to constituent authorities would be applied to reduce the 2005/06 precept. The management accounts disclose that there was an underspend of some £28.3 million against budget. The major factors contributing to the underspend was some £21 million due to savings from a slower than anticipated pattern of retirements, £3.9 million in respect of interest received from balances invested and a £4 million over-recovery of income for rechargeable police services.
9. While an overall underspend was reported, Police salaries were overspent for most of the financial year. Overspends in this line of expenditure rose in excess of £1 million and these were managed through underspends elsewhere. The overspend was due to staff turnover not being as high as anticipated and the advanced recruitment of officers to offset the expected retirements predicted during 2009-2011.

10. Capital expenditure totalled £18.823 million and was funded by:



11. The accounts disclose an underspend against the 2005/06 capital programme allocation of some £6.9 million. The more significant underspends included:

- Building Works (underspent £0.6 million): this was due, in the main, to slippage in the Meiklewood Road Complex (£0.5 million);
- Communications and IT (underspent £2.5 million): again a number of factors contributed to the underspend including the Call Management System (£0.4 million), Public CCTV (£0.3 million), Custody CCTV (£0.2 million), Spitfire Infrastructure Project (£1.0 million), SCOPE (£0.2 million), Prisoner Custody System (£0.5 million) offset by an overspend in IT infrastructure replacement (£0.2 million); and,
- Airwave (underspent £3.2 million): the underspend reflects problems in relation to the unsuitability or unavailability of current technology.

12. Although slippage in any one year is not unreasonable, (£9.8 million was underspent in 2004/05) the Board should be managing its capital investment and delivering its full programme of improvements in assets. I am also aware that, as a result of the ICT function being transferred to the Scottish Police Services Authority (SPSA), a moratorium has been imposed on all IT development expenditure. As a consequence the Board will require to review its capital programme and its capacity to deliver.

Refer action plan point 1

13. The Board holds a general fund reserve which consists of both earmarked amounts set aside to support future years' expenditure and a contingency for unexpected events or emergencies. At 31 March 2006 the Board held a general fund reserve of £43.97 million. £38.97 million has been 'earmarked' to cover particular commitments:



- £14.29 million set aside to fund future payment of police pension commuted sums;
 - £9.61 million to be utilised on future capital projects;
 - £7.0 million represents the balances due to be returned to constituent authorities, of which some £3.3 million will be applied in 2006/07;
 - £2.85 million carried forward under devolved budget arrangements whereby budget holders are able to utilise underspends in subsequent years;
 - £4.37 million to fund specific committed projects; and
 - £0.85 million to be utilised to fund specific health and safety issues and to purchase protective clothing and equipment.
14. The remaining balance of £5 million is held as a general operational policing contingency which can be used to support unforeseen and exceptional issues.
15. We are pleased to record that, in response to our comment made in our 2004/05 final report, an overall reserves strategy was approved at the February 2006 Board meeting. It states that an operational policing reserve of between 0.75% and 1% of GAE, subject to resource demands, should be sufficient. Just under 1% of the general fund reserve has been retained in 2005/06 for this purpose.

Issues arising

16. The Board's unaudited financial statements were submitted to the Controller of Audit prior to the deadline of 30 June. Final accounts preparation procedures and working papers were good and this enabled the audit to progress smoothly.
17. One adjustment was made to the figures included in the unaudited accounts made available for public inspection. The adjustment related to the disclosure of the fleet maintenance trading operation surplus which was originally disclosed as part of the net operating expenditure but which was amended to be included within the net cost of services. There was no effect on the stated deficit for the year.
18. There was one unadjusted misstatement (£350,000) which related to a possible future insurance claim which had been over provided by the Board. It was agreed, however, not to make any adjustment in the accounts in 2005/06 as it was not considered to be a material amount.
19. Further matters arising from the audit of the financial statements also require to be brought to the attention of members and these are summarised below.



Pension liabilities

20. Accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions. Financial Reporting Standard 17 (Retirement Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made several years into the future.
21. The police officers' pension scheme is unfunded and, therefore, has no assets to be valued. Note 10 to the balance sheet highlights that the present value of scheme liabilities at 31 March 2006 is £3,489 million. The increase from a liability of £2,971 million at 31 March 2005 is due to changes in the financial assumptions used to calculate scheme liabilities.
22. As the police officers' scheme is unfunded, the pension liability will fall to be met by serving police officers' contributions and by taxpayers in the future (through government grant and constituent authorities' contributions). The government is currently considering major changes to public sector pension schemes, with one of the aims being to provide an affordable, secure and sustainable benefit structure.
23. The Board's estimated pension liabilities for civilian staff at 31 March 2006 exceeded its share of assets in the Strathclyde Pension Fund by £36.5 million, a decrease from £41.742 million in 2004/05. The change in liabilities is due to changes in the financial assumptions used to calculate scheme liabilities.
24. A full actuarial valuation of the Strathclyde Pension Fund was reported in early 2006. Factors such as the volatile stock markets and increasing life expectancy have resulted in the funding level, calculated as the ratio of fund assets to past service liabilities, falling from 108% at 31 March 2002 to 97% as at 31 March 2005. (The latest interim review, as at May 2006, shows an overall funding position of 100.4%). The actuary is required to make a 3-year assessment of the contributions that should be paid by the employing authorities as from 1 April 2006 to maintain the solvency of the fund. The contribution levels are based on percentages of employee contributions normally 5% - 6% of salary. This shows that budgeted contributions are expected to rise from 260% of employee contributions to 280% by 2008/09.

Capital expenditure

25. Accounting guidance states that expenditure on the enhancement of fixed assets should be capitalised. The guidance clearly defines an enhancement as the carrying out of works which are intended to:
 - lengthen substantially the life of the asset;
 - increase substantially the open market value of the asset; or
 - increase substantially the extent to which the asset can or will be used for the purpose of, or in conjunction with, the functions of the Board.



26. As reported previously, we have received assurances from officers, who provided supporting evidence, that all capital expenditure is subject to review by both Finance and Estates personnel who assess whether the work undertaken is in fact enhancing expenditure. Instances were discussed with officers as to the validity of the decisions and it was agreed that, in future, additional documentation would be retained in support of decisions taken and would be available for audit inspection.

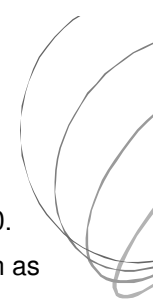
Commuted pensions

27. Previous audit reports referred to the need for the Board to continue to review all options in order that full provision of the commuted lump sum pension is made for all eligible officers.
28. The Board has set aside amounts payable to those officers with lengths of service equal to or greater than 30 years as at 31 March 2005. In addition the Board has also made provision for a proportion of officers with 29 years service (and aged over 50) and 4 other groups with services ranging from 25 to 28 years service. The rate of provision is determined by the Board which is, in line with and is consistent with, prior years. For 2005/06, some £14.293 million has been provided for outstanding police pensions' liability and forms an earmarked element of the general reserve.
29. We have therefore recommended once again that the Board continues to review the amounts earmarked for eligible officers in respect of their commuted pensions.

Provisions

30. Financial Reporting Standard 12 (Provisions, Contingent Liabilities and Contingent Gains), states that provisions for liabilities incurred of uncertain timing or amount require to be recognised when the following 3 criteria are met:
- there is a present obligation as a result of a past event;
 - it is probable that a transfer of benefits will be required to settle the obligation; and
 - a reliable estimate can be made of the of the amount of the obligation.
31. The balance sheet records that some £5.09 million has been set aside in order to meet the cost of intimated claims against the Board in respect of employer's, vehicle and public liability claims. Our audit review established that the amount set aside is based on a total amount for each type agreed with the insurance advisors. Accounting practice requires that an assessment of the likelihood of successful claim against the Board should be made together with an associated amount. We have therefore recommended that an assessment should be made of the likelihood of settlement being required in individual cases together with the best estimate of the liability at the balance sheet date, given the uncertainties involved.

Refer action plan point 2



32. Our review also identified that one of the pre-1996 claims had been over provided by some £350,000. Correspondence was obtained which confirmed that an insurance claim was unlikely to cost as much as originally estimated. The reduced amount was not adjusted for in the overall provision for the year. This has resulted in the unadjusted misstatement of £350,000 noted above.

Legality

33. Each year we request written confirmation from the Treasurer that the Board's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included in audit programmes and checklists. The Treasurer has confirmed that, to the best of her knowledge and belief and having made appropriate enquiries of the Clerk to the Board and the senior management team, the financial transactions of the Board were in accordance with the relevant legislation and regulations governing its activities.
34. There are no additional legality issues arising from our audit which require to be brought to members' attention.

Looking ahead

35. The Board is well placed to continue to prepare annual financial statements in accordance with accounting and statutory requirements. It has a record of responding positively to audit issues and changing accounting rules. Significant challenges ahead include changes to the single entity statement of accounts which include the replacement of the Consolidated Revenue Account with a traditional Income and Expenditure Account; a new statement that reconciles the Income and Expenditure Account surplus or deficit for the year to the General Fund surplus or deficit; and the replacement of the Statement of Total Movement in Reserves with a Statement of Total Recognised Gains and Losses.
36. These changes are likely to have a significant impact on the presentation of the 2006/07 annual financial statements to make them more consistent with the accounts of other public and private sector entities.

Corporate governance



Overview

37. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation.
38. The Joint Police Board established its Audit Sub-Committee in March 2003. In the 2004/05 report on the audit, I noted my concerns regarding the frequency of meetings and therefore the committee's ability to fulfil its role. I am pleased to note that the sub-committee is now scheduled to meet four times during the year and is well placed to contribute to the Board's overall process for ensuring that an effective risk management and control system is maintained.
39. Internal audit plays a key role in the Board's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. The Board's internal audit service is provided by its own centrally employed team. Each year we undertake an overview of internal audit arrangements which includes an assessment of whether or not we can place reliance on internal audit work in order to reduce our own input.
40. We are pleased to conclude that internal audit work within the Board continues to be of a sufficient standard to allow us to rely on it. However, as reported in 2004/05, elements of the 2005/06 internal audit work programme were not addressed during the year due to difficulties in recruiting an additional member of staff. We are aware that this vacancy has now been filled.
41. A Statement on the System of Internal Financial Control is included within the annual financial statements with the aim of providing assurance on the adequacy of the internal control environment. This highlights the Treasurer's view that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal financial control system, subject to the retrospective approval of redundancy payments to force support officers. All other requirements of the Force Redundancy Policy have been complied with and it is considered that all payments had been appropriately made.
42. The Statement also highlights that risk management is continuing to develop throughout the Force.
43. I am aware from our review that the statement is supported by a high level review of the adequacy and effectiveness of internal financial controls undertaken by Internal Audit. In addition, following on from our 2004/05 review, a further process has been introduced by the Director of Finance and Resources whereby assurances are taken from other key members of the force responsible for financial controls.
44. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.



Anti-fraud and corruption arrangements

45. The Board has the responsibility to establish arrangements to prevent and detect fraud and corruption. We are pleased to record that the Force has in place a Force Integrity Strategy and has effective whistle-blowing procedures set up. These contribute to the Board's sound arrangements to prevent and detect fraud and corruption.
46. Under the National Fraud Initiative (NFI), police boards compare information about benefit applicants, students, public sector employees and pensioners with other public bodies to find fraud and errors. The initiative also enables bodies to detect overpayments made in error or through honest misunderstandings. The findings of the 2004/05 exercise were published in May 2006, highlighting that across Scotland £15.1 million of fraud, overpayments and savings were found.
47. From examination of the data submitted by the Board, the Audit Commission identified 543 matches. In each case the Board carried out an investigation to establish a reason for the match. Through their investigations the Board obtained acceptable explanations for all matches and can thus take assurance that no fraud is being committed by their staff in relation to the areas addressed by the initiative.
48. Audit Scotland is working with the Audit Commission to widen the scope of the NFI during 2006/07. Public bodies will provide information again in October this year and will have fresh information to investigate in early 2007. The Board should continue to ensure that it uses the opportunities presented by the NFI on an ongoing basis to assist in the detection of fraud.

Systems of internal control

49. Reliance was placed on the work of internal audit in 2005/06 to evaluate a number of key systems in place within the Board. The Chief Internal Auditor concluded that *'reasonable assurance can be placed upon the adequacy and effectiveness of the Force's internal control system in the year to 31 March 2006'*.
50. Recommendations made in previous years' internal and external audit reports are monitored by management, internal audit and ourselves. Our 2005/06 audit also included follow-up of progress made in implementing previous audit recommendations. Although the majority of recommendations have been implemented, further work is required to introduce an asset management planning process to ensure that a robust, affordable and sustainable approach to capital planning in the longer-term can be demonstrated by the Board.

Refer action plan point 3

51. We are also aware that the Audit sub-committee is concerned at the number of outstanding recommendations from previous years raised by internal audit which have not yet been actioned. A



specific report has been requested on the outstanding recommendations and is likely to lead to further action from the sub committee.

52. As part of our work to provide an opinion on the annual financial statements we assessed the extent to which we could gain assurance on a number of the Board's main financial systems. We assessed the following central systems as having a satisfactory level of control for our purposes:

- Payroll
- Creditors payments
- Cash income and banking
- Capital accounting
- Debtors
- Main accounting system
- Budgetary control

53. Section 10 of the local Government Scotland Act 2003 (the Act) requires authorities to maintain and publish Statutory Trading Accounts in respect of all "Significant Trading Operations", with effect from 1st April 2003. This legislation extends to cover all services provided by local authorities.

54. As part of our 2004/05 audit, we recommended that a formal process is introduced to consider the application of this element of the Act. We are pleased to record that action has been taken by the Board to identify trading operations and that it was agreed that the fleet maintenance operation falls within the definition of a significant trading operation. Appropriate disclosure has been made within the statement of accounts.

55. We also followed up the action taken in response to recommendations contained within our 2004/2005 report on the computer services overview. We are pleased to note that action has been taken in response to the twelve previous recommendations and only two actions require to be concluded. These relate to the monitoring of ICT capital expenditure and the continuing development of ICT business continuity planning. It should however be noted that some of the actions by their nature are ongoing processes which should continue to be the subject of continuous review.

56. Continuing development of risk management and scrutiny arrangements will further strengthen the Board's corporate governance arrangements. We are aware that the Audit sub-committee in August 2006 was advised that the risk register has now been agreed with Divisions and Departments. Action plans for each of the 17 key risks identified within, together with 'risk owners' now require to be agreed. In addition, it was agreed that the Risk Management Working Group will oversee the further development of the risk register and will monitor and review all associated action plans. A further challenge to the Board will be the embedding of risk consideration and actions into everyday practice.

Performance



Best value & HMIC inspection

57. The Local Government in Scotland Act 2003 established best value and community planning as statutory duties for all local authorities. Up until now, auditors have discharged their duty to review best value in police authorities through working jointly with HMIC on integrated inspections/audits.
58. In September 2005 the Accounts Commission considered what approach it might adopt to the audit of best value and community planning in Police Authorities. Discussions have been held with key stakeholders, including HMIC, and some pilot audit work has recently been carried out. The Commission is now considering the wider issues that have been raised, such as the complex relationship between the Scottish Executive, Police Forces and Police Boards, and how the Commission's and HMIC's statutory responsibilities for Best Value can be sensibly applied. This will also need to take into account the wider review of scrutiny in the public sector currently being undertaken.
59. A report summarising the results of a primary inspection of Strathclyde Joint Police Board was published by HMIC in September 2004. This report made a total of 11 recommendations; 9 for the attention of the Force, 1 for the Association of Chief Police Officers in Scotland (ACPOS) and 1 for the attention of the Joint Board. In addition the inspection identified 28 areas for future review. The Board's progress in implementing the recommendations made was reviewed in Spring 2006 and the results formally reported in September of this year. Overall, 4 recommendations had been fully implemented (3 relating to the Force and 1 to ACPOS). HMIC also considered that 20 of the 28 areas for review would require further activity before they could conclude their interest in them.
60. The review noted that progress had been made in addressing most of the issues raised during the primary inspection. Of particular note was the ongoing development of call management processes including the implementation of Airwave. Key findings included:
- arrangements were being formalised for the Joint Board's involvement in the complaints process;
 - the force was able to demonstrate that their approach to staff redeployment had been reviewed together with consideration of additional staff resources required to support any major change management process;
 - the number of Family Liaison Officers had been reviewed and given appropriate training;
 - although a promotion selection policy and operating procedure were approved by the Board in September 2005, it did not address the external advertising of posts. (This issue was raised in the primary inspection). In addition, issues were noted in relation to feedback given to



unsuccessful applicants and the interview process itself. HMIC expressed disappointment at the lack of overall development in this area; and

- no change in the standard practice of officers attending court after a scheduled night shift tour of duty had been introduced.

61. Our interest in the joint inspection/audit follow up process was concentrated on arrangements for best value, risk management and finance related issues which were highlighted as developing areas for future review.

Best value

62. The primary inspection commented that, at the review inspection, the HMIC would be interested to examine the extent of progress in relation to force's best value arrangements.

63. We noted that a best value policy, guidance, standard operating procedure and guide to performing best value service reviews have been prepared. In addition, a shorter guide is being prepared based on the more comprehensive guidance to assist the roll out to departments and divisions. A decision was taken during 2002/03 to mainstream best value activity within the everyday practices of the force. However, since then, a more formalised approach has been introduced through the use of a best value service review programme which will allow the force to demonstrate that it is meeting the key elements of best value i.e. challenge, consult, compare and compete. A programme of service reviews is currently being developed which should address the key requirements of best value. A transparent process for selecting and prioritising areas, linked to the Force's objectives, should be introduced. The force is also aware that more emphasis should be given to both option appraisal and project implementation review.

Next steps

64. A corporate approach was introduced by the Force to take forward the recommendations and future areas for review and an action plan was developed which details the responsible officer together with a timescale attached. The next formal review will take place in 2008.

Performance indicators

65. The Board has a statutory duty to collect, record and publish specified performance indicators and, so far as is practicable, ensure they are accurate and complete. The Accounts Commission issue a Direction each year detailing the indicators that require to be published and external auditors review the Board's arrangements and return details of the indicators, including an opinion on their reliability, to Audit Scotland headquarters to enable compilation of national reports on performance.

66. I am pleased to report that in 2005/2006, all Performance Indicators (PIs) were assessed as 'A' i.e. data appears reliable.



67. Audit Scotland produces comparative information and all bodies are encouraged to use this information to identify scope for improvement. Key points from the Board's 2005/06 statutory performance indicators include:

- a triennially recorded indicator to measure the level of satisfaction/dissatisfaction experienced by the public as a result of contact made with the police was reported. 18.1% and 22% of the public expressed dissatisfaction with their initial contact with the police and the way the police dealt with their matter respectively. This represents an increase from the figures reported in 2002/03 when 9.7% and 10.7% were reported. Strathclyde Police is reporting the second highest level of dissatisfaction when compared to the other police board areas. It should however be noted that the methodology underlying the survey has been changed since the last time the data was collected;
- although a reduction in the proportion of working time lost due to sickness absence for police officers was recorded, from 5.1% in 2003/04 to 4.5% in 2004/05, in 2005/06, this has been subject to a slight increase to 4.6%. This is above the national average of 4.5%;

Refer action plan point 4

- sickness absence amongst support staff, while decreasing from 6.1% in 2004/05 to 5.7% in 2005/06, is the highest recorded in Scotland and is above the Scottish average of 5.1%; and

Refer action plan point 4

- although still requiring improvement, the percentage of police reports sent to the procurator fiscal within 28 days of the caution/charge has increased from 35.5% in 2004/05 to 47.6% in 2005/06. This is still well short of the target agreed with ACPOS that Forces should aim to submit 80% of reports within 28 calendar days. The Force has recorded the lowest percentage sent within 28 days in 2005/06. The Force should continue to review its procedures in order to speed up submission of police reports to meet national targets.

Refer action plan point 5

Performance outlook – opportunities and risks

Introduction

68. As part of our audit risk analysis, we identified some of the key risks facing Strathclyde Joint Police Board. These risks were considered to fall within four areas which, as acknowledged by management, reflect headline risks or sub-risks of a headline risk as noted in the recently approved risk register. A number of the key risks noted below have been commented on earlier in this report.



Accountability and governance

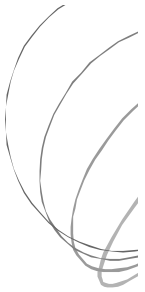
69. The Board is committed to maintaining high standards of accountability and governance. While acknowledging that the risk management process has been slow to develop over the public sector in general, we are pleased to record that the Board has now approved its risk register and is now in the process of setting up procedures to ensure the risks identified are addressed by the appropriate staff and that it is kept fully up to date. (paragraph 56)
70. It is a requirement of the Prudential Code that all bodies develop a framework for the efficient management of assets. Until this is developed, the Board cannot fully demonstrate a robust, affordable and sustainable approach to capital planning in the longer-term. The absence of a robust asset management planning process may hinder the Force in achieving best value in the use of the Board's assets and spending plans that are affordable and sustainable. (paragraph 50)
71. The Board has recognised the need to demonstrate the affordability and sustainability of its plans and is actively pursuing the development of asset management software which should assist the force in demonstrating the achievement of best value.

Funding future improvements

72. Under the Efficient Government agenda Scottish police forces are required, by 2007/08, to identify and contribute £54 million of cash and non-cash efficiency savings. Strathclyde Joint Police Board along with Scotland's other 7 police forces must therefore identify areas where they can deliver the same service for less money and/or enable frontline services to deliver more or better services with the same money.
73. During 2005/06, Strathclyde Police introduced procedures for measuring efficiency savings which will continue to be refined and developed. We have recently been advised by management that the targets set for 2005/06 have been substantially exceeded and the surplus will be carried forward to subsequent years to offset against future targets.
74. As a result of the Police, Public Order and Criminal Justice (Scotland) Act 2006, the Board will be further responding to the Efficient Government agenda through the review of common police services and the role of back office support.

Challenging and improving performance

75. The Force is in the process of pulling together a Performance Management Framework. The Board recognises that the performance management framework will help them to balance government requirements which need to be met with the services provided to meet local needs. The framework therefore should be finalised and communicated to all relevant staff.



Workforce management

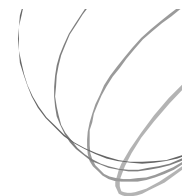
76. People play the key role in delivering high performing services. The Board needs to make sure it has the right skills, in the right place, at the right time. This requires effective workforce planning, successful recruitment and retention practices and good industrial relations. The absence of a workforce plan which considers future staff requirements, their skills, staff retention, job succession etc. for all staff, may lead to the ineffective deployment of staff. We are aware from discussions with management that the Board is continuing to address these key staffing issues and are looking closely at job evaluation, future staffing/skills requirement, staff retention and succession planning.

77. In 2004/05 Strathclyde Joint Police Board had the highest percentage of working time lost due to sickness absence for support staff (6.1%) of Scotland's 8 police forces. While this figure has decreased to 5.7% in 2005/06, there is still a risk that this level of absenteeism may impact directly on the operation of the Force.

Final remarks

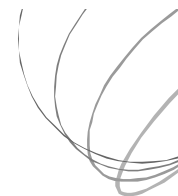


78. The members of Strathclyde Joint Police Board are invited to note this report. We would be pleased to provide any additional information that members may require.
79. We have made a number of recommendations in the reports we have issued during the year and have obtained assurances from officials that action will be taken as appropriate. Attached to this report is a list of significant matters arising from the audit which we consider to be of particular interest to members.
80. Regular rotation of auditors is required by auditing standards and is an important component in guarding against perceived or actual threats to auditors' objectivity and independence. Audit Scotland's policy is to rotate auditors at least once every five years.
81. This is the final year of our current appointment to the audit of Strathclyde Police Joint Board. From 2006/07, PricewaterhouseCoopers will become the Board's appointed auditor. The change of auditor represents an opportunity to build on existing good practice to continuously improve accounts preparation processes in partnership with the incoming auditor.
82. The co-operation and assistance given to us by Strathclyde Joint Police Board members and staff over the five years of our audit appointment is gratefully acknowledged.



Action plan

No.	Issue, risk & recommendation	Responsible officer	Response & agreed action	Action date
1	<p>Capital programme</p> <p>Slippage in the capital programme is continuing with £6.9 million underspent in 2005/06.</p> <p><i>Risk: the Board is unable to deliver the planned capital programme with the consequential impact on operational policing.</i></p> <p>Recommendation: the capital programme and the capacity to deliver should be reviewed.</p>	Deputy Chief Constable	<p>Recommendation agreed.</p> <p>Detailed revision of Capital programme ongoing. Revised programme will be presented to Joint Police Board for approval in December 2007</p>	Ongoing
2	<p>Provisions</p> <p>The provision of £5.09 million is based on an overall view of the level of provision likely without recourse to the likelihood of success of each claim.</p> <p><i>Risk: a provision is recognised contrary to accounting practice and an overly prudent view of expenditure is taken.</i></p> <p>Recommendation: the Board should introduce a process to assess the likelihood of each individual claim together with an estimate of the amount to be paid.</p>	Deputy Chief Constable	<p>Recommendation agreed</p> <p>Formal review will be introduced as part of Final Accounts process for 2006/07</p>	June 2007
3	<p>Asset management planning</p> <p>The Prudential Code requires capital investment decisions which are soundly based on a robust asset management planning process. A corporate plan for the development of all assets should provide real integration between asset management and financial planning and contribute to debates on affordability and long term objective setting.</p> <p><i>Risk: the Board cannot demonstrate a comprehensive approach to capital planning in the longer-term.</i></p> <p>Recommendation: the Board should continue to develop an asset management plan to inform and drive capital planning decisions, and promote best value in the use of assets.</p>	Deputy Chief Constable	<p>Recommendation agreed.</p> <p>Procurement of Asset Management system imminent. Roll-out planned to be completed by financial year-end with application in 2007/08</p>	March 2007



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4	<p>Sickness absence</p> <p>Sickness absence within both police and support staff is amongst the highest in Scotland. It is particularly marked in support staff sickness levels.</p> <p><i>Risk: the Board may face difficulties in conducting its necessary business due to the high levels of sickness absence.</i></p> <p>Recommendation: the Board should develop procedures to address the reported high levels of sickness absence.</p>	Deputy Chief Constable	<p>Recommendation agreed</p> <p>Considerable work is already in train under the auspices of the Personnel Sub Committee, particularly the development of a new Attendance Management Policy and Procedure.</p>	Ongoing
5	<p>Submission of police reports</p> <p>A national target of 28 days has been set for the time taken to submit police reports to the Procurator Fiscal. Strathclyde Police fell significantly short of target in 2005/06 with only 47.6% being submitted on time.</p> <p><i>Risk: the overall judicial process is delayed.</i></p> <p>Recommendation: the Board should review its procedures in order to speed up submission of police reports to meet national targets.</p>	Deputy Chief Constable	<p>Recommendation agreed</p> <p>This is currently a statutory performance indicator and is subject to continuous revision. Performance is steadily improving and is currently averaging 70% within the 28 day target</p>	Ongoing