

Northern Joint Police Board

Report to Members and the Controller of Audit on the 2006/07 Audit



Contents

Introduction	2	Performance	10
Financial statements	3	Final Remarks	14
Governance	7	Appendix A: Action Plan	15



Introduction

1. This report summarises the findings from our 2006/07 audit of Northern Joint Police Board. The scope of the audit was set out in our audit fee letter issued on 1 February 2007.
2. The financial statements of the Joint Board are the means by which it accounts for its stewardship of the resources made available to it and its financial performance in the use of these resources. It is the responsibility of the Joint Board to prepare financial statements that present fairly its financial position and the income and expenditure for the year.
3. The members and officers of the Joint 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 Joint 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 Joint Board has adequate 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 misstatement, error, fraud or corruption;
 - the Joint Board has proper arrangements for securing best value in its use of resources.



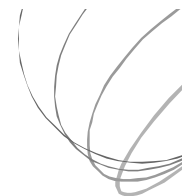
Financial statements

Introduction

4. In this section we summarise key outcomes from our audit of the Joint Board's financial statements for 2006/07. We also summarise key aspects of the Joint Board's reported financial position and performance to 31 March 2007.
5. We audit the financial statements and give an opinion on:
 - whether they present fairly the financial position of the Joint Board and its expenditure and income for the year; and
 - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
6. We also review the Statement on the System of Internal Financial Control by considering the adequacy of the process put in place by the Joint Board to obtain assurances on systems of governance and internal financial control and assessing whether disclosures in the statement are consistent with our knowledge of the Joint Board.

Overall conclusion

7. We have given an **unqualified** opinion on the financial statements of Northern Joint Police Board for 2006/07.
8. The unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. The Joint Board is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (the 'SORP'). We found that financial statement preparation processes and working papers were generally satisfactory and the statements complied with the SORP.
9. Overall, we were satisfied that the financial statements were prepared in accordance with the revised SORP.



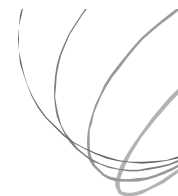
Financial position

Going concern

10. The Joint Board's balance sheet at 31 March 2007 shows net liabilities of £316.153 million. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on the financial statements. One of the indicators that may give rise to going concern considerations is an excess of liabilities over assets.
11. The net liability position is due to the requirements of Financial Reporting Standard 17 (retirement benefits) where there is an obligation to recognise the Joint Board's full pension obligations in the year they are earned. This technical accounting requirement has had no impact on the underlying basis for meeting current and ongoing pension liabilities which will be met, as they fall due, by government grant and contributions from constituent authorities in the normal way. In common with similar authorities, the Joint Board has considered it appropriate to adopt a going concern basis for the preparation of the financial statements.

Revenue performance 2006/07

12. The Joint Board's net operating expenditure for 2006/07 amounted to £57.262 million (after elimination of FRS 17 pension adjustments). This was met by police grant of £28.29 million, constituent authorities' contributions of £28.004 million and a transfer from general reserve of £0.968 million.
13. The Treasurer summarises performance against budget in his Report in the financial statements. Overall there was a small overspend of £0.403 million (0.7%) when compared to the original budget. A part of this overspend arose from the creation of a provision for time off in lieu totalling £0.254 million. This is dealt with in more detail under governance at paragraphs 33 to 35 of the report.
14. The Joint Board holds a general fund reserve as a contingency for unexpected events or emergencies. It is for the Joint Board to determine its strategy for managing such funds after taking account of local circumstances. At 31 March 2007 the Joint Board held a general fund reserve of £1.881 million.
15. The 2006 SORP requires assets valued at current cost to be formally revalued by a qualified valuer at intervals of not more than five years. The Joint Board's operational land and buildings were previously valued at 31 March 2002. A revaluation was completed in the year to 31 March 2007 which had the effect of increasing the net value of the Joint Board's other land and buildings by approximately £13.452 million.



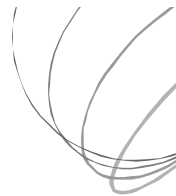
16. Capital expenditure in 2006/07 totalled £2.237 million and was funded by government grant of £1.937 million and capital receipts of £0.3 million.

Issues arising

17. The Joint 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 generally good and this enabled the audit to progress smoothly.
18. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (the 'SORP'). A number of adjustments were made to the figures included in the unaudited financial statements made available for public inspection. None of these were significant to the income and expenditure account figures.

Financial outlook – pension liabilities

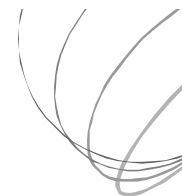
19. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long and the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions.
20. In accounting for pensions, FRS 17 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 years into the future. This requirement results in large future liabilities being recognised in the financial statements.
21. The Joint Board's estimated pension liabilities at 31 March 2007 totalled £344.69 million comprising net liabilities of £341.243 million (£335.2 million in 2005/06) for police officers and £3.447 million (£6.157 million in 2005/06) for civilian staff. As stated in the financial statements the police pension is unfunded which means no investment assets are built up to fund future liabilities. The net cost of police pensions and other benefits (after allowing for contributions from police officers) is borne annually by the Joint Board from police grant and requisitions from constituent authorities.



Legality

22. Each year we request written confirmation from the Treasurer that the Joint Board's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included in audit programmes. The Treasurer has confirmed that, to the best of his knowledge and belief and having made appropriate enquiries of other senior officers, the financial transactions of the Joint Board were in accordance with the relevant legislation and regulations governing its activities.

23. There are no additional legality issues arising from our audit which require to be brought to members' attention.



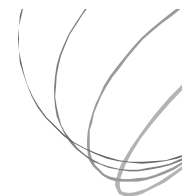
Governance

Introduction

24. In this section we comment on key aspects of the Joint Board's governance arrangements during 2006/07.

Overview of arrangements in 2006/07

25. Corporate governance is concerned with structures and processes for decision making, accountability, control and behaviours at the upper levels of the organisation. The Joint Board has a responsibility to put in place arrangements for the conduct of its affairs, ensure the legality of activities and transactions and to monitor the adequacy and effectiveness of these arrangements in practice.
26. A Statement on the System of Internal Financial Control is included within the annual financial statements, and highlights the Treasurer's view that reasonable assurance can be placed upon the adequacy and effectiveness of the Joint Board's internal financial control system. However, the statement highlighted the need to improve the undernoted controls:
- preparation of procedural guidance to detail how contract standing orders are implemented and adherence to the contract standing orders in undertaking tendering exercises;
 - compliance with the use of official orders for goods and services;
 - introduction of a process to identify, record, evaluate, prioritise and manage key control risks on and ongoing basis;
 - consistent application of VAT when raising invoices for the provision of Polices services.
27. The Force undertook to complete remedial action by 31 August 2007 for the above points except for risk management where the date was agreed as 30 June 2007. We will review progress in implementing these issues as part of our ongoing audit appointment.
28. The statement complies with accounting requirements and is consistent with the findings of our audit.



Systems of internal control

29. The Joint Board's financial transactions are processed through Highland Council's financial systems. It is the responsibility of the Council's management to maintain adequate financial systems and associated internal controls. The auditor evaluates significant financial systems and associated internal controls both for the purpose of giving an opinion on the financial statements and as part of a review of the adequacy of governance arrangements.
30. Our review of these systems was conducted as part of the audit of Highland Council, supplemented by specific audit work on the Joint Board's financial statements. Overall there are no material issues of concern in relation to the operation of the main financial systems.
31. Internal audit plays a key role in the Joint Board's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. The Highland Council's Internal Audit section provided an internal audit service to the Joint Board during 2006/07.
32. 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. We concluded that internal audit work within the Joint Board continues to be of a sufficient standard to allow us to rely on it.

Time off in lieu (TOIL)

33. Police officers can claim for additional hours worked by submitting an overtime claim or taking time off in lieu. Overtime working attracts a supplement depending on whether it is normal, rest day or public holiday working. The financial statements in previous years did not recognise the possible cost of overtime worked which could be claimed as time off in lieu (TOIL). As stated in paragraph 13 a provision totalling £0.254 million was created in the 2006/07 financial statements for time off in lieu.
34. We reviewed the provision in the financial statements and found it was based on an estimate at 31 January 2007. We were advised that figures were not available at 31 March 2007 although we were provided with figures at 31 July 2007. We concluded from review of these figures that the provision in the financial statements was reasonable.

Action point 1



35. We also reviewed procedures related to the system for controlling TOIL and concluded:
- the Force should develop a policy on the control and management of TOIL including the maximum amount an officer can carry forward;
 - the Force needs to ensure its TOIL database is kept up to date;
 - the Force needs to develop management reporting arrangements so that information in its TOIL database is provided to appropriate senior officers and the Executive Advisory Group on a regular basis for monitoring and controlling the maximum time off in lieu an officer can carry forward.

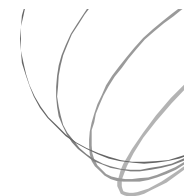
Action point 2

Prevention and detection of fraud and irregularities

36. The Joint Board has appropriate arrangements for the prevention and detection of fraud and corruption. These arrangements include a strategy for the prevention and detection of fraud and corruption, written procedures for the investigation of suspected cases of fraud and corruption and a whistle blowing policy.

NFI in Scotland

37. In 2006/07 the Joint Board again took part in the National Fraud Initiative (NFI) in Scotland. The exercise is undertaken as part of the audits of the participating bodies. NFI brings together data from councils, police and fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant savings for Scottish public bodies (£27 million to 2005) but, if fraud or overpayments are not identified by a body, assurances may be taken about internal arrangements for preventing and detecting fraud.
38. The NFI 2006/07 results (data matches) were made available to audited bodies on 29 January 2007 via a new secure web-based application. Participating bodies follow up the matches, as appropriate, and record the outcomes of their investigations in the application. We monitored the Joint Board's involvement in NFI 2006/07 during the course of our audit.
39. The Joint Board has responded positively to the NFI and promptly investigated fourteen out of the seventeen matches appearing on the data match results. The remaining three cases relate to pensions data and are currently with the Pensions Authority for investigation. No instances of fraud were found in the matches examined.



Performance

Introduction

40. In this section we summarise key aspects of the Joint Board's reported performance and provide an outlook on future performance.

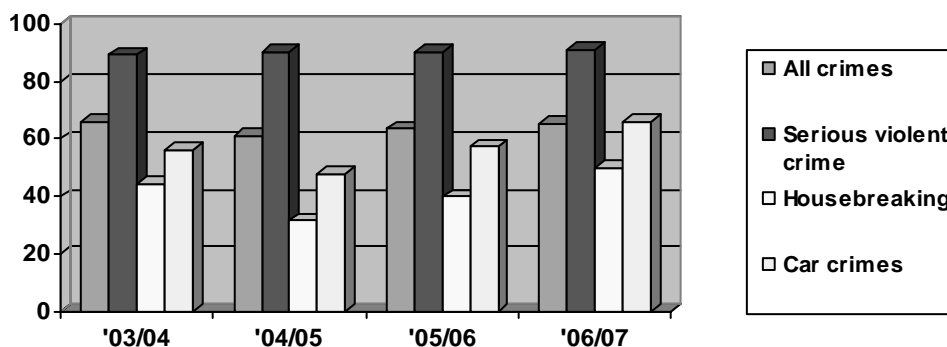
Statutory performance indicators

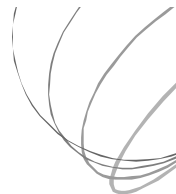
41. The Joint Board has a statutory duty to collect, record and publish specified performance indicators and, so far as is practicable, ensure they are accurate and complete. The Accounts Commission issue a Direction each year detailing the statutory performance indicators (SPIs) that require publishing and external auditors review the Joint 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.

42. We assessed all ten of the Joint Board's statutory performance indicators as reliable. We present a summary of some of the performance indicators below.

Percentage of crimes cleared up

43. The percentages for crimes cleared up by the Force over the four year period to 31 March 2007 has consistently exceeded the Scottish average percentage clear up rates in 2005/06 of 45.7% for all crimes, 59.7% for serious violent crime, 27.6% for housebreaking and 22.6% for car crimes.



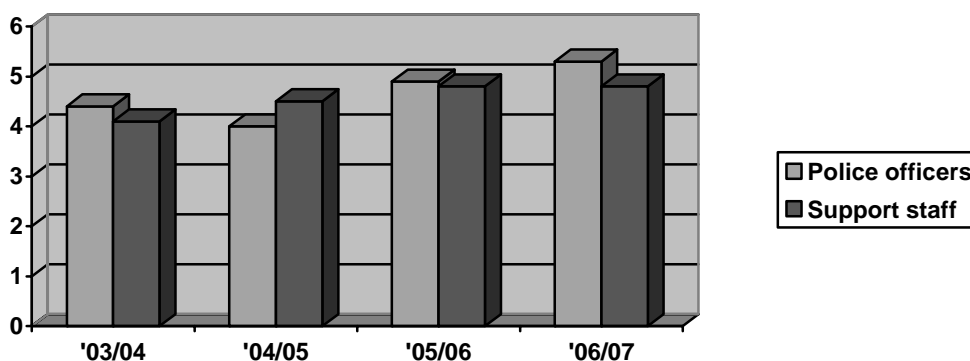


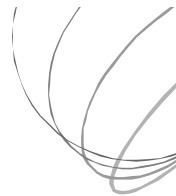
Proportion of 999 calls answered within ten seconds

44. The proportion of calls answered within 10 seconds has fallen from 97.3% in 2003/04 to 70.1% in 2006/07 and this is below the Scottish average of 88.5% in 2005/06. We were advised that this was due to the introduction, during 2005/06, of a new control room and call handling system. The changes in operating procedures required with the introduction of new technology and ironing out of technical issues impacted on performance in 2006/07. We were advised that most of these issues have been resolved and performance is improving in 2007/08.

Proportion of working time lost due to sickness absence

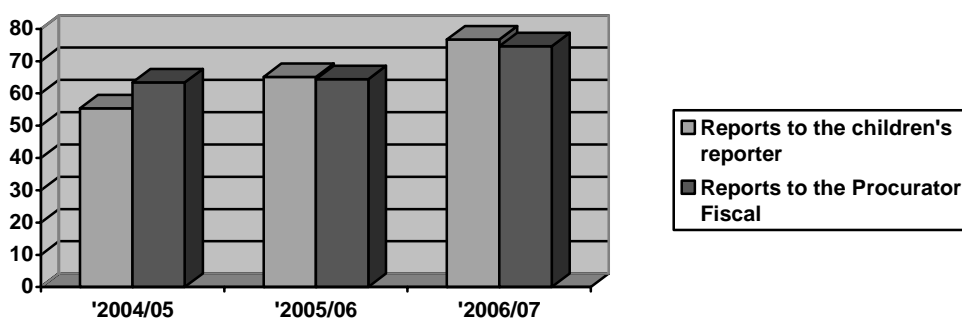
45. The level of absence for police officers has increased since 2003/04 and currently stands at 5.3% compared with the 2005/06 national average of 4.5%. The level of absence for support officers is unchanged from 4.8% for 2006/07 when compared to 2005/06 and this is still below the 2005/06 national average of 5.1%.





Reports sent to the children's reporter and the Procurator Fiscal

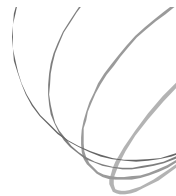
46. The percentage of police reports sent to the children's reporter within 14 days of caution/charge has increased from 55.4% in 2004/05 to 76.7% in 2006/07. This demonstrates good progress by the Force over the years from 2004/05 to 2006/07 and is more favourable when compared to the 2005/06 national average of 82.1%. The percentage of police reports sent to the Procurator Fiscal within 28 calendar days of caution/charge has increased from 63.4% to 74.6% in 2006/07. This compares favourably with the 2005/06 national average of 55.3%.



Police call management

47. Audit Scotland recently published its initial review on police call management. The key messages from the report include:

- the police received 5.8 million calls from the public in 2006/07, but different recording practices across Scotland make it difficult to form a national picture of the types of calls the police receive;
- the police and other public sector organisations need to improve public understanding about how to access non-emergency services;
- since 2000/01, there has been £30.1 million capital investment in police call handling. There was no national strategy during this time, and forces adopted very different approaches as a result;
- Forces face a continuing challenge to match staffing levels to demand. They also need to do more to understand and address the training needs of staff;
- people are generally satisfied with the response they receive when they call the police but they are less satisfied with how they are kept informed about the issue they had called about;
- new IT systems are providing better information on call handling, but consistent performance information to support benchmarking and inform strategic planning at both national and local levels is limited.



48. The full report has eighteen detailed recommendations intended to assist the Scottish Government, police authorities, chief constables and other relevant organisations to improve the effectiveness of police call management in Scotland.

49. Specific references to the Northern Constabulary include:
 - the Force has the technology to implement its 0845 number, although it does not yet have an agreed date to go live;
 - the Force receives non-999 calls at multiple sites that are 'virtually' connected;
 - the Force has a marketing strategy for its new contact centre;
 - the Force established a joint member/officer planning board to oversee the move to more centralised call handling.

50. The Executive Advisory Group should consider the findings of the report and determine whether the findings can assist the Force to improve its call management procedures.

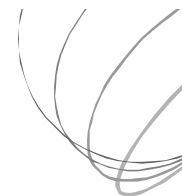
Action point 3



Final Remarks

51. Attached to this report is an action plan setting out the key risks identified by the audit which we are highlighting for the attention of the Board. The action plan sets out management's response to the identified risks.
52. The members of Northern Joint Police Board are invited to note this report. We would be pleased to provide any additional information that members may require.
53. The co-operation and assistance given to us by officers of the Joint Board is gratefully acknowledged.

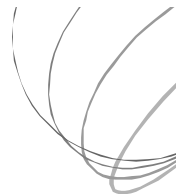
Audit Scotland
25 October 2007



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para. No	Risk Identified	Planned Action	Responsible Officer	Target Date
1	34	<p>Time off in lieu (TOIL)</p> <p>The provision in the financial statements for TOIL at 31 March 2007 was based on an estimate at 31 January 2007. We reviewed figures at 31 July 2007 and concluded the provision in the financial statements was reasonable.</p> <p>Risk: the financial statements do not accurately reflect the correct position for TOIL at the year end.</p>	The Force will calculate the provision at 31 March 2008 for the 2007/08 financial statements.	Director of Finance	April 2008
2	35	<p>Time off in lieu (TOIL)</p> <p>We reviewed procedures related to the system for controlling TOIL and concluded:</p> <ul style="list-style-type: none"> ▪ the Force should develop a policy on the control and management of TOIL including the maximum amount an officer can carry forward; ▪ the Force needs to ensure its TOIL database is kept up to date; ▪ the Force needs to develop management reporting arrangements for monitoring and controlling the maximum time off in lieu an officer can carry forward. <p>Risk: TOIL is not effectively controlled.</p>	<p>The Force is currently developing a policy on TOIL.</p> <p>The Force will remind appropriate senior officers of the need to keep the database up to date.</p> <p>The Force will investigate how to extract information from the database for monitoring and controlling TOIL. Regular reports will then be provided to appropriate senior officers and the Executive Advisory Group.</p>	<p>Director of Finance</p> <p>Director of Finance</p> <p>Director of Finance</p>	<p>March 2008</p> <p>November 2007</p> <p>March 2008</p>



Action Point	Refer Para. No	Risk Identified	Planned Action	Responsible Officer	Target Date
3	50	Police call management The Executive Advisory Group should consider the findings of Audit Scotland's report on police call management and determine whether the findings can assist the Force to improve its call management procedures including its local initiatives. <i>Risk: the opportunity to improve call management procedures is not taken.</i>	Call handling arrangements are being reviewed as part of a wider review of the Force. An options appraisal on call handling will be presented to the Force Review Programme Board in the near future.	Head of Corporate Development	December 2007