

Scottish Crime and Drug Enforcement Agency

Report on the 2007/08 Audit



October 2008



Scottish Crime and Drug Enforcement Agency

Report on the 2007/08 Audit

Contents

Executive Summary	1	Governance	7
Introduction	3	Performance Management	13
Financial Position	4	Looking Forward	17



Executive Summary

Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by Scottish Crime and Drug Enforcement Agency (SCDEA). We audited the financial statements and we also reviewed aspects of performance management and governance. This report sets out our key findings.

Financial Position

The SCDEA was established from 1 April 2007 under the Police, Public Order and Criminal Justice (Scotland) Act. Under the Act, the Scottish Police Services Authority (SPSA) is to 'maintain' the SCDEA. SPSA is required to work within the resource budget set by the Scottish Government and funding is ring fenced from the SPSA budget for SCDEA costs. The total resource budget for 2007/08 for SPSA and SCDEA was £83.084 million, which included £23.132 million for SCDEA. The total resource outturn for SPSA and SCDEA was £82.850 million, giving a surplus of £0.234 million.

SPSA's resource budget for 2008/09 is £83.6 million, which includes £23.6 million ring fenced for SCDEA. SCDEA's ring fenced funding for 2009/10 is £23.7 million and for 2010/2011, £23.9 million. As part of Scottish Government funding arrangements, the figures include an allowance for inflation of 2.7% over the 3-year spending review from 2008/09, and a deduction of efficiency savings of 2% per annum.

Financial Statements

We have given an unqualified opinion on the financial statements of SCDEA for 2007/08. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

Governance

Corporate Governance is concerned with the structures and process for decision-making, accountability, control and behaviour at the upper levels of an organisation. The Chief Executive of SPSA is the Accountable Officer for SCDEA. He reports to the Board on all aspects of corporate services for SCDEA while the Director General of SCDEA reports on operational matters. As SPSA was established in 2007 efforts in 2007/08 focused on establishing corporate governance and control arrangements across the business areas of SPSA and in relation to SCDEA. SPSA has established a range of controls but it will take time to fully embed these across the organisation.



Performance

Strategic priorities for SCDEA for 2007/08 have focused on working with police forces and other law enforcements agencies to tackle organised crime and maximising the recovery of assets through its operations. Linked to the strategic priorities, SCDEA was also set four quantitative targets relating to arrests, seizure of drugs and value of criminal assets identified. SCDEA achieved two out of the four targets set to support the strategic objectives.

The SCDEA Annual Plan 2007/08 detailed 21 objectives, supported by 31 activities across SCDEA's operational groups. Much of the work is on-going due to many of the activities being on areas such as co-ordinating work, promoting partnership working, providing advice and developing new initiatives. The 2008/09 Annual Plan is more concise with five strategic priorities with seven supporting KPIs, and four objectives with six supporting KPIs.

The Scottish Policing Performance Framework (SPPF) is a national model for the measurement and reporting on performance information and is intended to improve policing and accountability at local and national levels. For 2008/09 the SPPF includes KPIs for SCDEA. HM Inspectorate of Constabulary for Scotland (HMICS) has also introduced a self-assessment regime to replace their service reviews. The regime applies to SCDEA and the first self-assessment reviews are due for submission to HMICS for November 2008.

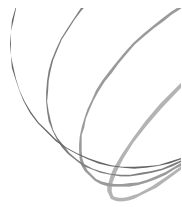
Best Value

In 2008/09, SPSA plan to implement a best value strategy which will include a programme of best value studies across the business areas, including SCDEA. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency and Information Management. As part of our planning for 2008/09 we will discuss with SCDEA and Internal Audit about applying the audit toolkits.

Looking forward

The final part of our report notes some key risk areas for SCDEA going forward. The Independent Review of Policing by HMICS, to be published in December 2008, could significantly impact police bodies across Scotland. We have highlighted national issues that affect all public sector bodies, including the impact of International Financial Reporting Standards and the introduction of Scotland Performs.

The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.



Introduction

1. This report summarises the findings from our 2007/08 audit of SCDEA. The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 1 May 2008. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued a range of reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and the Board's agreed response.
3. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of SPSA and SCDEA during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, www.audit-scotland.gov.uk.



Financial Position

4. In this section we summarise key outcomes from our audit of SCDEA's financial statements for 2007/08, and comment on the key financial management and accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

Our responsibilities

5. We audit the financial statements and give an opinion on:
 - whether they give a true and fair view of the financial position of SCDEA and its expenditure and income for the period in question
 - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
 - the consistency of the information which comprises the Management Commentary, Corporate Social Responsibility and Leadership and Governance, with the financial statements
 - the regularity of the expenditure and receipts.
6. We also review the statement on internal control by:
 - considering the adequacy of the process put in place by the chief executive as accountable officer to obtain assurances on systems of internal control
 - assessing whether disclosures in the statement are consistent with our knowledge of SCDEA.

Overall conclusion

7. We have given an unqualified opinion on the financial statements of SCDEA for 2007/08.
8. As agreed the unaudited accounts were provided to us on 4 August 2008, supported by a comprehensive working paper package. The good standard of the supporting papers and the timely responses from SCDEA staff allowed us to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 2 October 2008 as timetabled.



Financial Position

Outturn 2007/08

9. SPSA is required to work within the resource budget set by the Scottish Government. Under the Police, Public Order and Criminal Justice (Scotland) Act 2006, SPSA 'maintain' the SCDEA and funding is ring fenced from the SPSA budget for SCDEA costs.

Exhibit 1 – Performance against Resource Budget 2007/08

Resource Allocation (£million)	Budget	Actual Outturn	Difference
SPSA	53.929		
SCDEA	23.132		
<i>Total Grant in Aid – cash</i>	<i>77.061</i>	<i>77.049</i>	<i>0.012</i>
SPSA	4.414		
SCDEA	1.609		
<i>Total Resource cover – non-cash</i>	<i>6.023</i>	<i>5.801</i>	<i>0.222</i>
Total	83.084	82.850	0.234

2008/09 Budget

10. Scottish Ministers have agreed a resource budget for SPSA of £83.6 million for 2008/09. This comprises a cash allocation of £77.577 million and non-cash of £6.023 million, with £23.6 million ring-fenced for SCDEA. This is analysed as follows:

Exhibit 2 – SCDEA Resource Budget 2007/08

Resource Allocation (£million)	Budget (£ million)
Cash	23.600
Internal reallocation for SCDEA costs for the provision of ICT/rent/corporate support/ repairs and maintenance/ utilities	(2.507)
Total Per SCDEA Annual Plan 2008/09	21.093
Non-cash resource cover	1.609
Total	22.702

11. The budget for 2008/09 includes capital expenditure proposals for SCDEA of £0.651 million. SCDEA's ring fenced settlement for 2009/2010 is £23.7 million and for 2010/2011, £23.9 million. The figures include an allowance for inflation of 2.7% over the 3-year spending review from 2008/09, and a deduction of efficiency savings of 2% per annum. To meet budget requirements SCDEA must have a strong budgeting and monitoring regime in place. SCDEA regularly monitor the processing of payments and expense claims against targets. SCDEA is implementing an internal financial audit regime in 2008/09 and working with SPSA on improved financial reporting for 2008/09.



Issues arising from the audit

12. As required by auditing standards we reported to the audit committee on 2 October 2008 the main issues arising from our audit of the financial statements. The key issues reported were:
13. **Impairment** - Under FRS 11, a review for impairment of a fixed asset should be carried out if events or changes in circumstances (for example a reorganisation) indicate that the carrying amount of the fixed asset may not be recoverable. An impairment review of assets transferred from the Scottish Government to SCDEA was not carried out during 2007/08 and therefore there was a risk that assets may not have been shown at fair value. A commitment has been given to carry out an impairment review and the Accountable Officer provided assurances of carrying values of assets in his letter of representation for 2007/08.
14. **Recharge of corporate costs to SCDEA** - SPSA is charged in statute with maintaining SCDEA. For 2007/08, agreement was reached to charge a single sum for the totality of the central support to SCDEA, of £1.748 million. For 2008/09, SPSA will review its charging regime to SCDEA for corporate costs and agree on a formal charging policy and methodology.
15. **Covert Expenditure** - Other expenditure within the financial statements includes costs in relation to covert expenses. As part of our routine audit procedures we verify a sample of expenditure items to supporting documentation, however because of the nature of this expenditure the evidence available to us is necessarily restricted in relation to covert operations. The Accountable Officer has provided assurances surrounding the systems in place for recording and authorising this expenditure.

Regularity Assertion

16. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.



Governance

Overview of arrangements

17. This section sets out our main findings arising from our review of SCDEA governance arrangements. This year we planned to review:
- key systems of internal control
 - internal audit.
18. Aspects of information and communications technology were covered at a corporate level at SPSA but two issues, to be followed up with SCDEA in 2008/09 are discussed at paragraph 39.
19. We also discharged our responsibilities as they relate to prevention and detection of fraud and irregularity; standards of conduct; and the organisation's financial position (see paragraph 9). Our overall conclusion is that SPSA has made good progress in establishing sound arrangements during the year.

Governance arrangements

20. Our audit plan noted the complex accountability arrangements across police services in Scotland. The membership of the Board reflects this environment and consists of Chief Constables, police authority/ joint police board conveners and non-executive lay members. There have been a number of changes to the Board during the year due to political changes following the May 2007 elections. Since the year-end the Convener has also left and there has been a change in membership of Chief Constables. An Audit Committee and Human Resources Committee were established and membership of the Audit Committee changed during the year.
21. Adding to the complex accountability arrangements is the dual role of the Chief Executive of SPSA as Accountable Officer of both SPSA and the SCDEA. The Accountable Officer reports to the Board on all aspects of corporate services for both bodies, while the Director General retains operational independence for SCDEA and reports to the Board on operational matters.
22. Internal Audit reported to the May 2008 Audit Committee that SPSA had made significant progress in implementing sound governance arrangements across the organisations. In some areas, for example risk management and business continuity planning work was ongoing to embed arrangements across the organisation. Internal audit also highlighted the need to clarify the governance responsibilities for SCDEA, given the dual lines of accountability of the Director General to the Board and Scottish Ministers. Responding to this the Board has been reviewing governance arrangements and



introduced changes, for example the Director General of SCDEA now attends Board meetings and the Board are reviewing the frequency of financial reporting.

23. As SCDEA operates in a complex environment, for example in partnership with Scottish, UK and international law enforcements and judicial authorities, effective consultation is important in planning and undertaking work. When preparing the SCDEA Annual Plan 2008/09 a various stakeholders were consulted prior to publication. In 2008/09 SCDEA is to consult with other agencies and conduct a mapping exercise on establishing the scale and extent of serious organised crime in Scotland, with the aim of producing an action plan for SCDEA and partners to input into future operational activity.
24. Working with partners also involves seeking feedback. In March 2008 external consultants undertook a Customer Satisfaction Survey for SCDEA, as part of wider survey with SPSA, seeking feedback from stakeholders. Overall, the results were positive but there are some areas for improvement on speed of service and accessibility.

Corporate plans and objectives

25. In accordance with the Police, Public Order and Criminal Justice (Scotland) Act 2006, the Director General of SCDEA prepares an Annual Plan, which is separate from the SPSA Annual Plan. Paragraph 54 describes performance against the SCDEA Annual Plan 2007/08.
26. SCDEA's plan is included within SPSA's first three-year corporate plan for 2008-2011, published in June 2008. This is a high-level document, setting the context for the SCDEA and SPSA annual plans, which then set out the specific outcomes to be achieved. Annual reports provide information on performance against outcomes.
27. The SCDEA Annual Plan 2008/09 details strategic priorities, as set by Scottish Ministers, and SCDEA's objectives supported by additional Key Performance Indicators (KPIs). For 2008/09 there are five strategic priorities set by Ministers, with seven supporting KPIs. SCDEA set itself four objectives with six supporting KPIs. Some KPIs are carried forward from 2007/08 and there are some new indicators relating to effective people management.
28. SCDEA is required to work with the Scottish Government and the Scottish police service towards a Safer and Stronger Scotland, where citizens and communities are not blighted by the effect of serious crime, drug addiction and supply and in particular. Scottish Ministers set the Agency the following strategic priorities for 2008/09:
 - Work with and in support of the Scottish police service and other law enforcement agencies to tackle, disrupt and dismantle serious organised crime groups with an emphasis on the



trafficking of Class A drugs and money laundering through targeted intelligence, interventions and enforcement activity

- Use the provisions of the Proceeds of Crime Act 2002 to maximise the identification of assets for restraint and to support recovery of such assets through criminal confiscation and civil recovery
- In consultation with other law enforcement agencies, conduct a mapping exercise to establish the scale and extent of serious organised crime in Scotland and, through comprehensive analysis, produce a relevant action plan by December 2008 for agreement with those partners
- Develop by February 2009, for approval by SPSA and Scottish Ministers, a set of relevant performance indicators and targets which can demonstrate the success of the Agency in tackling serious organised crime
- Work with the Scottish Government and ACPOS to support legitimate businesses by identifying and pursuing opportunities for innovative intervention tactics and techniques in the fight against serious organised crime.

We will monitor progress against the 2008/09 strategic priorities, objectives and KPIs as part of our ongoing audit work.

Systems of internal control

29. Key controls within systems should operate effectively and efficiently to accurately record financial transactions, prevent, and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements.
30. SPSA established a financial control environment and financial regulations, which applied to all business areas and SCDEA. SPSA prepare the financial statements on behalf of SCDEA.
31. In their annual report for 2007/08 internal audit provided their opinion that, subject to implementation of the high priority recommendations (to implement standard bank reconciliations and to roll-out authorised signatory procedures), SPSA's systems as in operation as at 31 March 2008, provide an adequate basis for maintaining control. In addition, internal audit commented that they did not identify any significant control weaknesses, from their audit work during the year that should be disclosed.
32. However, when the internal audit appointment was made and the plan approved, SPSA were expecting to prepare one set of accounts for SPSA and SCDEA. No specific internal audit testing was undertaken at SCDEA. The Internal Audit Annual Report 2007/08 notes that a separate audit



plan was not prepared for SCDEA but that assurance can be taken from internal audit work to the extent that the financial control environment and financial regulations are common to both SPSA and SCDEA. The Joint Internal Audit and Compliance Operational Plan for 2008/09, approved by the Audit Committee, states that a programme of activity for SCDEA is to be agreed with management.

33. As part of our audit we reviewed the controls in a number of systems that impact on the financial statements. Our overall assessment was that there had been progress in establishing the systems of internal control during the year, however controls were not in place during the whole year, and it will take more time to embed financial controls across SPSA and SCDEA. Our substantive testing carried out on SCDEA expenditure provided us with assurance of the regularity of transactions and results confirmed that in general the underlying transactions had been accounted for appropriately.
34. We reported that improvements could be made in a number of areas including the limited operation of the ledger, the service level agreement with Strathclyde Police needed to be agreed and a fixed asset register should be established. In particular, the lack of a fully operational ledger caused additional work for SPSA staff in 2007/08. During 2007/08 SPSA could not rely fully on the Scottish Government's SEAS ledger system and had to use manually prepared spreadsheets to record transactions and prepare management information. SPSA has improved the position and a complete ledger was provided to support the accounts presented for audit. SPSA are carrying out more work on improving the reporting function of the ledger.
35. For most of 2007/08 SPSA, in conjunction with their sponsor department, were expecting to prepare one set of accounts for both SPSA and SCDEA. Following legal advice from the Scottish Government on the requirements of the Police, Public Order and Criminal Justice (Scotland) Act 2006, SPSA were advised separate accounts were to be prepared. SPSA staff incurred additional work in preparing the statutory accounts than originally planned. The ledger was structured with one bank account and one purchase ledger and therefore year-end end transactions had to be separately identified for each body. SPSA was able to provide sufficient detail to support figures in the accounts of SPSA and SCDEA.

Prevention and detection of fraud and irregularities

36. SPSA has appropriate corporate arrangements in place for all business areas, including SCDEA to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members. On 1 May 2008 the Compliance Manager reported to the Audit Committee that, for the financial year to 31 March 2008, there were no incidents which required to be investigated under the Fraud Policy.



Internal Audit

37. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2007/08 audit, we assessed whether we could place reliance on SPSA's internal audit function. We concluded that the internal audit service, provided by PricewaterhouseCoopers LLP, operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in a number of areas during 2007/08, as we anticipated in our annual audit plan.

Statement on Internal Control

38. The Statement on Internal Control provided by the Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and set out SPSA's approach to this. The SCDEA is maintained by SPSA. SCDEA follows SPSA's corporate policies but retains operational independence. The Accountable Officer comments that 2007/08 was a challenging year, for example developing policies and procedures and establishing a baseline in terms of performance monitoring and planning; therefore, several recommendations for improvement were made by internal and external audit.

Information and Communication Technology

39. In our Annual Plan Audit Plan 2007/08 for SPSA we recorded risks surrounding ICT service provision, data sharing and ICT security. Our work is provided in more detail in our Annual Report on the Audit of SPSA. However, there are two matters to note, which we will follow-up with SCDEA in 2008/09.

40. In 2007/2008 the Scottish Government conducted a coordinated review of information security policies and data handling arrangements across central government. Public bodies were asked to complete data sharing questionnaires. SPSA completed the questionnaire and returned it to the Scottish Government to provide assurance that adequate procedures were in place. The Scottish Government published their findings in June 2008, which concluded that there is substantial good practice in Scotland but further measures were needed to improve the security of sensitive data and to improve communication with staff about information management, data protection and data sharing. SPSA are carrying out annual data handling reviews across all business areas and the 2008/09 review is currently underway. We will follow-up the results of this work on SCDEA as part of our audit work in 2008/09.

41. 'Your Business @ Risk' is an on-line survey, which assists in assessing staff knowledge of ICT policy and working practices. The toolkit raises awareness of the risks associated with the use of new technology; highlights areas for improved governance; and helps measure improvement over time.



Audit Scotland is collaborating with the Audit Commission on preparing and rolling-out the survey to public sector bodies. Once staff complete the on-line survey, the results are collated by the Audit Commission and Audit Scotland ICT auditors evaluate and discuss the results with audited bodies. SPSA have agreed to participate in the survey for all business areas and we will follow this up in 2008/09.



Performance Management

42. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.
43. Accountable officers also have a duty to ensure the resources of their organisation are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure 'best value' in the use of resources.

Best Value developments

44. The positive impact of the Best Value concept in local government led Scottish Ministers to introduce a non-statutory Best Value duty on all public sector accountable officers (i.e. across health and central government) in 2002. This was reinforced by refreshed Ministerial guidance in 2006, highlighting the importance that the Scottish Government places on Best Value as a means of supporting public service reform.
45. That position was again re-iterated in the Scottish Government's recent response to the Crerar scrutiny review, which credited the Best Value regime as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year.
46. The framework for our proposed Best Value audit approach was agreed by Audit Scotland's Corporate Management Team in September 2007. It is based on the key principles of flexibility and proportionality; alignment and integration with our existing activities; being delivered within our existing resources; and, with an evolutionary implementation.
47. Using the Scottish Government's nine best value principles as the basis for our audit activity, we have identified five priority development areas (Use of Resources, Governance and Risk Management, Accountability, Review and Option Appraisal, and Joint Working) for our initial development work.
48. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency, and Information Management. These toolkits are being piloted in a sample of NHS and central government clients during 2007/08 and 2008/09. Developed toolkits will also be made available to public bodies to consider for self-assessment.



49. The SPSA Annual Plan 2008-09 includes a key action that SPSA will implement a best value strategy, including a programme of best value studies across the business areas including SCDEA. Areas for review include environmental management, and learning and development. SCDEA have identified transportation as a specific area for review for 2008/09. Internal audit plan to look at overall arrangements for best value in January 2009.

Efficiency

50. Identifying, tracking and reinvesting efficiency savings is managed at a corporate level by SPSA for all their business areas and SCDEA. SPSA set out in its Annual Plan 2007-08 plans to deliver 2.7% efficiencies in year 1 and SCDEA was included in the plans for efficiency savings. The operating budget was a baseline against which to monitor potential and actual savings, i.e. 2.7% of the operational budget was calculated (by business areas) and then potential and actual savings monitored against the targets. The Annual Report and Accounts for 2007-2008 for SPSA report that the 2.7% target was achieved and efficiencies reinvested into the organisation. SCDEA exceeded its specific efficiency target of £554,000 with a reported outturn of £566,000.
51. The SCDEA Annual Plan 2008/09 includes a key performance indicator to deliver 2% cash efficiencies by 31 March 2009. Management of this work is being co-ordinated within corporate services in SPSA through the Efficiencies Monitoring Group. The Head of Executive Office for SCDEA represents SCDEA on this group. SCDEA's Annual Plan 2008/09 comments that while the budget settlement is challenging, SCDEA is committed to identifying efficiencies and continuous improvement across the organisation.

Workforce Management

52. As described at paragraph 28, Scottish Ministers have charged SCDEA to carry out a mapping exercise to establish the scale and extent of serious organised crime in Scotland. The nature of organised crime constantly changes, for example the increased use of the internet for criminal purposes and increased levels of money laundering. Linked to the mapping exercise and recognising the changing nature of crime, SCDEA is undertaking an internal review of its structure, skills and knowledge base to ensure that it remains fit to fulfil its role in the future. The SPSA Corporate Plan 2008-2011 commits to ensuring that the SCDEA is appropriately resourced through securing the support of ACPOS in the secondment of officers and exploring the potential for direct recruitment. We will follow-up these developments as part of audit work for 2008/09.



Performance Management

53. In 2007/08 SCDEA was set four strategic priorities by Scottish Ministers. These were to:
- Work with and in support of the Scottish police forces and other law enforcement agencies to tackle serious organised crime across Scotland with an emphasis on Class A Drugs and money laundering.
 - Use all the provisions in the Proceeds of Crime Act 2002 to maximise the identification of criminal assets for restraint and thereafter to support maximum recovery of such assets through criminal confiscation and civil recovery.
 - Produce a comprehensive intelligence report of the extent and impact of human trafficking in Scotland, in collaboration with other law enforcement partners.
 - Bring forward by 31 December 2007, for agreement with SPSA and Scottish Ministers, a performance framework for measuring SCDEA's effectiveness.
54. SCDEA was also set four quantitative targets relating to arrests, seizure of drugs and value of criminal assets identified. Two out of four targets were achieved. The Human Trafficking profile was completed in April 2008. The SCDEA Annual Plan 2007/08 described 21 objectives across headings of impact, processes, future development and resource management. To complement the objectives, specific activities are listed across SCDEA's business groups: Crime Co-ordination, Intelligence Group, Operations Group, Operational Support Group, Interventions and Business Support. In total 31 activities are described. Much of the work is on-going due to many of the activities being on areas such as co-ordinating work, promoting partnership working, providing advice and developing new initiatives.
55. In the first quarter of 2007/08 a revised balanced scorecard approach was implemented, based on the SPSA corporate format. Performance is monitored by SCDEA by means of six-weekly performance reports and quarterly Balanced Scorecard reports. The SCDEA Performance Management Group has strategic responsibility for the framework. Performance against the strategic priorities and quantitative targets is described in the Annual Report and Accounts for SCDEA 2007/08 and the Director General's Annual Report. The Director General's report also provides examples of successful operations in 2007/08.



56. As described at paragraph 27 the 2008/09 Annual Plan sets out five strategic priorities, with seven supporting KPIs and four objectives, with six supporting KPIs. Performance indicators and targets are to be reviewed during 2008/09, providing SCDEA with the opportunity to identify measures that will best demonstrate the success of its work. We will monitor the development of KPIs as part of our audit work in 2008/09.

Scottish Policing Performance Framework

57. The SPPF is a national model for the measurement and reporting on performance information. It is intended to help improve policing and accountability at local and national levels. The framework is divided into four areas: service response; public reassurance and community safety, criminal justice and tackling crime; and sound governance and efficiency. The 2007/08 SPPF included an objective that there would be effective co-operation between SCDEA and forces. HMICS with the Scottish Government is undertaking a review of performance against the 2007/08 SPPF, which will be publicly reported on in autumn 2008.
58. The 2008/09 SPPF includes a new indicator for SCDEA - Value of criminal assets confiscated as a result of SCDEA activity. It measures the value of assets confiscated after having either been restrained by SCDEA or as a result of activity by them. It is to be reported annually. This indicator is included with the SCDEA Annual Plan 2008/09.

HMICS Self-assessment Regime

59. HMICS has changed the inspection methodology, replacing the 5 year cycle of primary and review inspections of forces and the former common police services with a system of annual self-assessment. The self-assessment regime applies to SCDEA.
60. The first round of self-assessments is due for submission to HMICS in November 2008. HMICS anticipates that each force and service will share the self-assessment report and resultant action plan with their board (i.e. the SPSA Board). HMICS will also receive a copy of the self-assessment report and action plans and separately report its findings to the Chief Executive and SPSA Board. We will monitor progress as part of our work on the 2008/09 audit.



Looking Forward

61. SCDEA faces a number of challenges in 2008/09, which include:

- **Efficiency and future funding** – Budgets for 2008/09 and the immediate future will need to be managed within a tighter funding regime. This includes significantly less scope for the application of end of year flexibility for the Government with HM Treasury until the next Spending Review; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on PFI, leases and infrastructure accounting. The challenge for SCDEA is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **Independent Review of Policing** – Following on from the Justice Committee inquiry into the 'Effective Use of Police Resources', HM Chief Inspector of Constabulary is undertaking an independent review of policing. He is to review the roles and responsibilities of police forces in Scotland with the aim of ensuring:
 - that all Scotland's communities have equal access to expert and specialist policing and to the resources necessary to investigate major crime, whenever they need it
 - that the delivery of such policing responsibilities does not divert resources away from visible policing in communities
 - in pursuance of this to identify policing responsibilities which might more effectively be delivered nationally, regionally, or by collaboration between forces
 - and to make recommendation for the organisation, governance and accountability, which best supports the delivery of those policing responsibilities.

Recommendations will be made to the Cabinet Secretary by the end of December 2008. The outcomes of the review may impact on the work of SCDEA. We will consider how SCDEA addresses the recommendations as part of the 2008/09 audit.

- **Scottish Crime Campus** – The Scottish Government is developing plans for a site to co-locate public agencies involved in tackling organised crime. This will include new headquarters for SCDEA. This is part of the Scottish Government's Infrastructure Investment Plan 2008. We will monitor developments throughout 2008/09.
- **National studies** – Audit Scotland's Public Reporting Group is currently undertaking a review of the effectiveness of expenditure on drug and alcohol services. This project aims to identify the main areas of direct expenditure on the full range of drug and alcohol services in Scotland. This will be the first time total expenditure on prevention, treatment, rehabilitation and enforcement from across the public sector will be calculated. The study will also consider the



effectiveness of the spend and the wider planning and delivery arrangements. The project brief was formally approved by the Auditor General and Accounts Commission in October 2008. We will notify the Accountable Officer and the Audit Committee of any areas which will impact on SCDEA.

- **Consultation on proposed studies** - In June 2008 Audit Scotland published its consultation paper on proposed national studies. This is a starting point for feedback, debate and comment from stakeholders about the areas that Audit Scotland should examine over the next couple of years. A review of SPSA is included within the potential study topics and key study questions could include: to what extent has SPSA generated efficiencies and what police services should SPSA provide? As part of the consultation process Audit Scotland met with SPSA to discuss the proposals. The results of the consultation are to be reported to the Auditor General and the Accounts Commission in autumn 2008. We will notify the Accountable Officer and the Audit Committee of any areas that will affect SCDEA.
- **International Financial Reporting Standards (IFRS)** – As part of the UK Budget 2008 the Chancellor announced that the timetable for IFRS implementation was to be extended by a year with central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. The Scottish Government have notified central government bodies that they will be required to produce shadow IFRS based accounts for the financial year in 2008/09, including a restated balance sheet as at 1 April 2008. A detailed timetable and list of requirements has been issued by the Scottish Government. This process may require significant resource to complete and it will be important that the restatement is tackled early in 2008/09, with a plan in place to manage the transition.
- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based ‘Virginia-style’ model of performance measurement and reporting. In support of this the Scottish Government has developed a new electronic tool and website to communicate to the public on Scotland’s progress. This will include progress on overall delivery of the administration’s purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. We will consider how SCDEA is addressing this developing area as part of the 2008/09 audit.