

Strathclyde Joint Police Board

Annual Report to the Strathclyde Joint Police Board and the Controller of Audit

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Executive Commentary

To the Members of Strathclyde Joint Police Board and the Accounts Commission for Scotland

Our overall responsibility as external auditors of Strathclyde Joint Police Board is to undertake our external audit in accordance with the principles contained in the Audit Scotland Code of Audit Practice (“the Code”) revised and published in March 2007.

Audit Opinion (Section 2)

Our audit opinion concerns the presentation of Strathclyde Joint Police Board’s (“the Board’s”) financial position for the year ended 31 March 2008 (2007/08) and its income and expenditure in the year.

We are pleased to report that our opinion on the presentation on the financial statements is **unqualified**.

The Audit Process and Accounting Issues (Section 3)

The draft financial statements and supporting schedules were made available to us at the start of our audit in line with our agreed timetable allowing us to progress and complete the audit within the agreed timeframe.

The overall quality of the working papers and internal review processes undertaken by management were of a good standard. We believe an effective working relationship exists between ourselves and your managers and staff and that an effective audit process was achieved throughout the year.

Financial Performance 2007/08 (Section 4)

The overall in year deficit for the Board was £3.013 million compared with a deficit of £0.215 million in 2006/07. The £3 million deficit had been budgeted for and funded by the utilisation of reserves in the general fund.

Financial Projections 2008/09 (section 5)

The Board is projecting a net deficit position of £3.3 million for the financial year 2008/09. Again, this will be covered by the utilisation of reserves from the general fund.

Business Issues (Section 6)

Within the body of the report, we have outlined a number of potential business issues and challenges likely to be faced by the Board going forward:

- Financial planning uncertainty due to changes in the format of funding arrangements;
- Rising pension costs; and
- Workforce Planning due to the current staff profile.

Governance and Control Arrangements (Section 7)

The Code of Audit Practice requires us to review and report on the Board's Statement on the System of Internal Financial Control. Based on our normal audit procedures, we do not disagree with the disclosures contained within the Statement.

PricewaterhouseCoopers LLP
Kintyre House
209 West George Street
Glasgow
G2 2LW

26 August 2008

1. Introduction

- 1.01 Our overall responsibility as external auditors of Strathclyde Joint Police Board is to undertake our external audit in accordance with the principles contained in the Audit Scotland Code of Audit Practice (“the Code”) revised and published in March 2007.
- 1.02 The Code sets out the need for public sector audits to be planned and undertaken from a wider perspective than in the private sector, involving assurance on the financial statements and also consideration of areas such as regularity, performance and achievement of Best Value.
- 1.03 Our audit has been planned and conducted to take account of these wider perspectives.
- 1.04 Set out below for information is a summary of our responsibilities as your external auditors and the responsibilities of Strathclyde Joint Police Board Members and the Treasurer.

Responsibility of the Treasurer and the Strathclyde Joint Police Board Members	Responsibilities of External Audit
<ul style="list-style-type: none"> • Ensuring proper administration of the Board's financial affairs. • Managing the Board's affairs to secure economic, efficient and effective use of resources and safeguard its assets. • Selecting suitable accounting policies and applying them consistently. • Making judgements which are prudent, and estimates that are reasonable and prudent in line with the CIPFA/LAASAC Code of Practice on local authority accounting in the United Kingdom. • Maintaining proper accounting records. 	<ul style="list-style-type: none"> • Issuing an audit report (opinion) on whether the financial statements present fairly the financial position of the Board as at 31 March 2008 and its income and expenditure for the year ended. • Determining whether the financial statements have been prepared in accordance with the Local Government (Scotland) Act 1973.

Acknowledgements

- 1.05 We would like to thank all management and staff involved for their assistance throughout the audit process.

2. Independent Auditor's Report

Our Audit Opinion

- 2.01 The Local Government (Scotland) Act 1973 requires that, following the completion of an audit, the external auditors shall place on the abstract of accounts a certificate which sets out the basis on which they have formed their audit opinion. Our opinion on the accounts states:
- that the audit has been conducted in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Code of Audit Practice;
 - the respective responsibility of management and auditors in relation to the accounts; and
 - whether, in the auditor's opinion, the accounts present fairly the financial position of the Board as at 31 March 2008.
- 2.02 Our opinion for the year ended 31 March 2008, which is in the format prescribed by the Accounts Commission for Scotland is **unqualified**.

Police and Fire Services (Scotland) Act 2001

- 2.03 The Police and Fire Services (Scotland) Act 2001 makes provision for the Board to carry forward unspent balances each financial year within prescribed limits. The surplus carried forward into the future year by the Board must not exceed 3% of the contributions (precepts & police grant) received from the Board's twelve constituent local authorities and the Scottish Government. In addition, the cumulative balance i.e. in year surplus including reserves, (but excluding the pensions reserve) carried forward into future years should not exceed 5% of the local authority precepts and police grant received in year, unless specific consent is obtained from the Scottish Government. The Board's performance against these target for the year ended 31 March 2008 was:

Financial Targets	Achievement
3% in year carry forward	The Board had no carry forward in year with a decrease in reserves of £0.507 million.
5% cumulative carry forward	The Board's cumulative carry forward into 2008/09, excluding the pension commutations reserve, is £25.222 million, representing 4.96% of the police grant and constituent authority contributions.

3. The Audit Process and Accounting Issues

Audit Process

- 3.01 The financial statements and supporting schedules were presented to us for audit within the agreed timetable. The quality of working papers provided was of a good standard. In addition, the quality of the draft financial statements was high, reflecting the robustness of the internal review process. Overall, we believe an efficient audit process was achieved and an effective working relationship exists with your staff.
- 3.02 The financial statements were prepared in accordance with the accounting requirements contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice ("SORP").

Accounts Approval

- 3.03 The Board's draft financial statements were signed as authorised for issue by the Treasurer to the Board in June 2008 and submitted to the Controller of Audit by the statutory deadline of 30 June 2008.

Audit Adjustments

- 3.04 We are pleased to report that during the course of our audit no material adjustments were identified to the financial statements. A small number of financial adjustments and disclosure amendments were discussed with management. Following our discussions, management have revised the financial statements to reflect our recommended adjustments, in all but one instance, details of which are given below.
- 3.05 Under International Standard on Auditing ("ISA") 260 – "Communication of audit matters to those charged with Governance" we are required to report all unadjusted errors identified during the course of our audit to members of the Audit sub-committee (in their governance role).
- 3.06 We identified an error in the calculation of the depreciation charge for the year, resulting in an over provision of depreciation totalling £200,008, of which £189,884 relates to Land & Buildings and the remaining balance relates to Furniture and Equipment. The impact of this error has been to increase the deficit on the balance of the Income and Expenditure account and to understate the Net Book Value of the fixed assets on the balance sheet. Management has decided not to adjust the accounts for this error on the grounds that the £200,008 misstatement is wholly immaterial in relation to the fixed assets base with a Net Book Value of £124,759,000, and the adjustment would result in all 12 constituent local authorities having to adjust their group accounts for their share. Management's decision not to adjust the financial statements in this regard has not impacted upon our audit opinion.

Treasury Management Arrangements

- 3.07 The Board has an arrangement whereby Glasgow City Council undertakes a significant amount of the Board's treasury management function. The Council is responsible for investing any excess resources that the Board has through short term investments, and for raising new loans needed to fund the Board's capital budget. All of these investments and loans are held in the name of Glasgow City Council, with no specific deposits or borrowings directly attributable to the Board. For this reason Glasgow City Council is unable to provide any details of the Board's loans and deposits, such the maturity dates of loans, and details of any financial instruments, which are required to be disclosed to meet the requirements of the SORP. However, the nature of the agreement between the Board and the Council is such that it is appropriate for the accounts to disclose a single asset and liability for investments and loans respectively, and still be compliant with the SORP.

- 3.08 The current treasury management arrangements are not governed by an approved formal Service Level Agreement, as it is yet to be finalised. The absence of formal performance arrangements makes it difficult for the Board to ensure it is receiving the level of service it requires and for it to demonstrate that this arrangement provides Best Value in the use of its resources.

Action Point 1

Going Concern

- 3.09 The Board's balance sheet has an excess of liabilities over assets of £2,836.2 million (£3,354.2 million 2006/07) due to the accrual of pension liabilities. An excess of liabilities over assets is one of the indicators that may be a concern regarding the ability of an organisation to continue as a going concern. In accordance with International Standards on Auditing ("ISA") 520 we have considered whether the Board is entitled to prepare its financial statements on the going concern basis.
- 3.10 The Board has adopted the going concern basis for the preparation of its financial statements as the accounting requirements for pensions do not impact on the underlying ability of the Board to meet its current and ongoing liabilities as future pension liabilities will be met as they fall due from contributions from constituent authorities. Formal representations have been obtained from management in this regard and on that basis we agree with the basis of preparation of the accounts.

4. Financial Performance 2007/08

Revenue Expenditure

- 4.01 As at 31 March 2008, the Board reported an overall deficit of £217.327 million (£208.574 million in 2006/07) on its Income and Expenditure Account. After adjusting this in-year deficit within the Statement of Movement on the General Fund Balance in order to reflect the appropriate statutory and non-statutory adjustments (for example gains and losses on disposal of fixed assets and pension liability costs), the overall in year deficit for the Board was £3.013 million compared with a deficit of £0.215 million in 2006/07. This £3 million deficit had been budgeted for and was funded through the utilisation of reserves in the general fund.
- 4.02 The decision to utilise £3 million from the general fund reserve was taken by the Board in order to reduce the burden on the local taxpayers. By using reserves, the level of income required to be raised through the levying of precepts on the 12 constituent local authorities in Strathclyde to meet the budgeted level of expenditure for the Board was reduced by an equivalent amount. It also ensured that the Board did not exceed its permitted level of carried forward reserves.

Capital Plan

- 4.03 There was an underspend against the capital budget, with actual expenditure totalling £11.920 million compared to planned expenditure of £16.135 million. The largest underspend was in the area of Communication and IT assets, which arose as a result of the uncertainty with regards to the future ownership and procurement of IT assets due to their impending transfer to the SPSA. In year, the Board recognised that there would be an underspend and as a result agreed with Lothian and Borders Police to transfer £2 million of its capital grant allocation to them during 2007/08. This will be repaid by Lothian and Borders Police during 2008/09.

5. Financial Projection 2008/09

Financial Projection 2008/09

- 5.01 For the purposes of this report, we have summarised the projected 2008/09 financial position as approved by the Board on 24 January 2008, in the table below:

	£m
Gross Expenditure	(579.155)
Gross Income	<u>46.345</u>
Net Cost of Services	<u>(532.810)</u>
Funded by:	
Police Grant & Precepts on Constituent Authorities	<u>529.510</u>
Net Deficit	<u>(3,300)</u>
Utilisation of the general reserves balance carried forward from 2007/08	<u>3.300</u>
2008/09 budgeted (surplus)/ deficit	<u>0</u>

- 5.02 The budget above takes into account the funding provided by constituent local authorities and the financial pressures arising in respect of pensions. It has been discussed with the Directors of Finance of the twelve constituent local authorities.

Efficiency Savings

- 5.03 The Scottish Government has set the Board a target for efficiency savings of 2% in each of the next three financial years. The requirement is that these must be cash savings. This creates a particular difficulty for the Board as most of its efficiency savings are time releasing in nature given the fact that the Board cannot make a police officer redundant. This means that where an efficiency is made by freeing up time the officer in that post must be re-deployed, which does not constitute a cash saving efficiency. As a result there is little scope for making cash savings in employee costs, which is the majority of police expenditure. As a result, ACPOS is in discussions with the Efficient Government Unit in an attempt to have time releasing savings recognised as efficiency savings. Should the Efficient Government Unit rule that time releasing savings are not permitted to be included as efficiency savings, there is a risk that the Board will be unable to achieve its 2% annual target.

6. Summary of future business issues

- 6.01 In this section we have summarised certain of the future business issues and challenges potentially facing the Board during 2008/09 and beyond, as discussed with Management during the course of the year. A fuller narrative was included in our Interim Management Letter, presented to the Audit Sub-Committee in June 2008.

Financial Sustainability

- 6.02 The Scottish Government announced the 3-year funding settlement for Police Authorities during 2007/08, with a 2.7% year on year increase to the Police Grant that is paid by the Government. However, no Grant Aided Expenditure (GAE) figure, which was the basis for calculating the level of precepts charged to the constituent local authorities, was determined. Previously, 51% of the GAE came in the form of the Police Grant and the remaining 49% in precepts. This means that from 2008/09 onwards, local authorities have greater scope for determining the level of precept that they pay, as they are no longer bound by the GAE. The Members of the Joint Board approved the 2008/09 revenue budget on the 8th February 2008. The local authorities have agreed to continue with the previous arrangement of contributing 49% of the overall revenue for 2008/09. In addition they have contributed £8.85 million in additional funding to meet the expected additional pension costs. Discussions are on-going as to whether this approach will continue into years 2 and 3 of the Spending review 2007.

Pension Costs

- 6.03 The rising cost of police pensions is creating a real financial pressure on the Board. In 2008/09 the additional costs amount to £8.85 million, which for one year, the local authorities have agreed to fund. However, 2009/10 is predicted to be a "spike year" for the Board with additional pension costs of £29 million anticipated. As yet there is no agreement as to the funding of these additional costs. Historically the additional pension costs had been funded through the precepts, as the government had factored these costs into the ring fenced funding to the local authorities for the Police. As noted above the funding situation in relation to future years remains subject to detailed discussion between the Board, the Local Authorities and the Scottish Government.

Workforce Planning

- 6.04 There are a large number of officers who are approaching retirement age within the next two to three years, which clearly has a financial impact in terms of increased pension costs. However, with every retiring officer there is a loss of knowledge, skills and experience which cannot be easily replaced. The Board has been acutely aware of this issue and has undertaken a number of initiatives to facilitate the transfer of knowledge from pre-retirement officers to the new recruits. Two such examples are the 30+ Initiative, which was introduced to retain key personnel beyond their standard thirty years of service, and secondly, the early recruitment of new officers so that there can be a period of handover/skills transfer.

7. Governance and Internal Control Arrangements

Governance and Control

- 7.01 It is part of management's overall responsibility to design and maintain an appropriate system of internal controls to provide reasonable assurance that accounting systems provide timely, accurate and reliable financial information and to safeguard the Board's assets.
- 7.02 As auditors, we obtain a sufficient understanding of internal controls to plan the audit. This includes an understanding of the design of policies and procedures and whether they have been implemented, but does not necessarily extend to evaluating the operating effectiveness of all such policies and procedures. We only evaluate and test those internal controls on which we plan to rely during our audit and which are required in relation to our Code of Audit Practice responsibilities. Accordingly, an audit would not usually identify all matters of interest to management in discharging its responsibilities.

Governance of the ICT fixed assets

- 7.03 The Scottish Police Services Authority took control of the ICT business function for all of the Scottish Joint Police Boards on 1 April 2008. All staff associated with the service are now employed by SPSA. However as the SPSA is unable to reclaim VAT the Scottish Government has proposed the establishment of an agency agreement between the Joint Boards and the SPSA for the management and procurement of the ICT assets in order to negate the VAT issue. It is as yet unclear whether an agency agreement will be reached, or indeed if this is the most appropriate vehicle, and it may take some time before formal arrangements are in place. The continuation of circumstances in which neither ICT asset transfer has taken place nor has there been established suitable alternative formal arrangements of whatever nature, has the potential to increase business risk to the Board if it results in the delay or postponement of necessary investment in ICT to support the current and future needs of the Board, especially given the lead time for procuring assets of this nature. In the meantime, the Board will continue to manage the ICT assets, albeit the ICT service will be managed by SPSA. In 2008/09 we will review the impact of these arrangements on the accounting treatment for ICT assets and also overall governance and accountability.

Action Point 2

Body Armour Contract

- 7.04 During 2007/08 the Board invited tenders for a contract to supply police body armour to all eight forces in Scotland, worth in excess of £1 million for the Board and £2.7 million for all Scottish Forces. Due to the value of the contract, the Board was required to comply with the OJEU tender regulations. However, the tender process was subject to a legal challenge and the tender process halted. Internal Audit undertook a thorough review of the contract letting process and external specialist legal advice was obtained. It was concluded that the tender did not comply with the appropriate regulations, that Procurement Department guidance was not complied with and that no assurance could be given over the validity of the evaluation scores. Internal Audit has produced an action plan and we would recommend that the actions are implemented as soon as possible. The tender process is currently in the process of being re-run and specialist external legal advice has been taken on all aspects of this process.

Productions Theft

- 7.05 The Board suffered a loss of £170,000 of productions money from Hamilton Police Office in Summer 2007. This was widely reported in the media and was damaging to the reputation of the police force as well as clearly impacting upon the judicial process. Internal Audit undertook a review into of circumstances which led to the loss, and the controls in place. The Board has also created a Short Life Working Group to review the incident and how processes can be strengthened whilst not compromising the integrity of evidence. Actions to mitigate the risk of further productions losses should be taken as soon as possible and monitored accordingly.

Action Point 3

Follow Up Report on previous control matters raised for action

- 7.06 We followed up the Board's progress in implementing recommendations made in our Interim Management Letter dated March 2007 and Annual Report to Members dated September 2007.
- 7.07 Of the 17 agreed recommendations reported in our follow up report progress was reported as follows:

Status	Total
Action Implemented	10
Action in Progress	5
Limited/Little Progress to Date	1
No longer applicable	1
Total	17

- 7.08 The one recommendation where little action has been taken by management to date relates to the need to update the Financial Regulations to incorporate the requirements of the Prudential Code. We understand that this will be done during 2008/09.

Financial Systems and our 2007/08 Internal Controls Report

- 7.09 Our Internal Controls Report was finalised in June 2008. The report contained twenty recommendations, three of which were graded as high risk. These were the development of an asset management plan, the re-commencement of reconciliations between the payroll system and the financial ledger, and restrictions on access to the Cyborg live environment.
- 7.10 The Board has completed an action plan detailing those individuals responsible for implementing our recommendations and the timetable for completion. We will follow up the action plan during our 2008/09 audit.

Internal Audit's Report on the Board's Internal Controls

- 7.11 The Board's Internal Audit service is provided by an experienced in-house team. During the 2007/08 year, Internal Audit's work programme included reviews in the following areas:
- Expenses
 - Payroll
 - Commitment to Best Value
 - Impact of SPSA

- 7.12 This work uncovered no fundamental areas of control weakness. In addition, internal audit was also asked to perform work on the control environment in relation to productions as a result of the loss from Hamilton Police Office in 2007, and also in respect of procurement following the re-tender of the body armour contract. These reviews resulted in a number of recommendations, which if implemented, would improve the overall control environment in these areas, and as such we would recommend that these be implemented fully as soon as is possible.

Prevention and Detection of Fraud and Corruption

- 7.13 Our approach has been determined through consideration of the incentives, pressures, opportunities, attitudes and any indicators of fraud.
- 7.14 We have reviewed certain elements of the Board's fraud and corruption arrangements, through discussion of key risk areas with senior management as well as reviewing associated controls and selected documentation.
- 7.15 Our enquiries of management and our testing of financial records did not reveal any illegal or possible illegal acts. However, improper conduct is usually carefully concealed and consequently, the probability is not high that our regular audit work, however diligently performed, will bring it to light.

Fraud Submission

- 7.16 A return has been made to Audit Scotland of the reported frauds that have occurred within the Board during the year. The fraud return included details of the productions theft outlined at paragraph 7.05.

National Fraud Initiative

- 7.17 During 2007/08, Audit Scotland working with the Accounts Commission, external auditors and a range of public bodies in Scotland completed another major counter fraud exercise, known as the National Fraud Initiative in Scotland ("NFI").
- 7.18 This initiative is undertaken every two years as part of the statutory audits of public bodies. The Board participated in the 2006/07 exercise, which completed during 2007/08.
- 7.19 NFI uses computerised data matching to compare a range of information held on public bodies' systems for example public sector pay and pensions, government register of deceased persons and housing benefits, to identify inconsistencies or other circumstances which may indicate fraud or error. Matches identified are subsequently provided to the public sector body for further investigation.
- 7.20 In order to participate in the 2006/07 NFI exercise, the Board worked closely with its twelve constituent local authorities to investigate potential matches. As reported in our Interim Management Letter in June 2008, the service investigated all potential matches identified and worked closely with the local authorities. No matches investigated as part of the 2006/07 exercise were found to be fraudulent.
- 7.21 A report was published by the Auditor General for Scotland and the Accounts Commission in May 2008 on the NFI 2006/07. The report highlighted that to date fraud and overpayments of £9.7 million had been found as a result of the 2006/07 exercise and that this amount is expected to continue to increase.

Appendix 1: Action Plan

Risk Ratings:	
Our findings are classified based on the following risk ratings:	
High	Significant weakness requiring immediate attention by management.
Medium	Weakness identified which needs to be rectified but there is no material impact on the achievement of objectives.
Low	Minor weakness identified.

Recommendation No.	Recommendation and Risk Rating	Management Response
1. Section 3, paragraph 3.08	<p>Management should undertake a review of current Treasury Management arrangements to determine whether they are providing the Board with value for money</p> <p>If it is decided to continue with the existing arrangements, these should be confirmed through the formal agreement of a new SLA with Glasgow City Council.</p> <p>Risk Rating – Medium</p>	<p>Agreed A full review is currently taking place.</p> <p>Responsible Manager: Treasurer/Director of Finance and Resources</p> <p>Implementation Date: 1st April 2009</p>
2. Section 7, paragraph 7.03	<p>The Board should seek resolution of the current situation with SPSA regarding the governance of ICT assets.</p> <p>Risk Rating – High</p>	<p>Agreed. The Board are actively seeking a solution.</p> <p>Responsible Manager: Clerk</p> <p>Implementation Date: On-going</p>

Recommendation No.	Recommendation and Risk Rating	Management Response
3. Section 7, paragraph 7.05	<p>Management should take steps to implement internal audit's recommendations and the recommendations of the Short Life Working Group regarding the storage of productions at the earliest possible opportunity.</p> <p>Risk Rating – High</p>	<p>Agreed, Recommendations will be the basis of revised working practices.</p> <p>Responsible Manager: Director of Finance and Resources</p> <p>Implementation Date: 31st March 2009</p>

Appendix 2: Communication to Management

International Standards on Auditing (“ISA”) (UK&1) 260 – Reporting to those charged with Governance, requires that the External Auditor communicates certain matters to those charged with governance.

Those charged with Governance are taken to be the Members of the Audit Committee with responsibility discharged through the regular meetings of the Audit Committee during the year. Summarised below are the requirements set out within ISA 260 together with reference to the relevant communication with you during 2007/08 or comments as appropriate.

Communication Required under ISA 260	Reference/Comment
Engagement letters	Signed engagement letter with Audit Scotland at start of our five year appointment.
Independence	Audit planning document reported to the February Audit Sub-committee and confirmed no member of the audit team has any direct interest, financial or otherwise in Strathclyde Joint Police Board.
Audit Approach and Scope	Audit planning document – reported to Audit Sub-committee February 2008.
Accounting Policies/Practices with a Material Effect on the Financial Statements	Section 3 of our Annual Report to Members and the Controller of Audit.
Potential Effects of Material Risks and Exposures	Planning document – February 2008
Audit Adjustments	Section 3 of our Annual Report to Members 2007/08.
Material Uncertainties relating to Going Concern	Section 3 of our Annual Report to Members 2007/08.
Disagreement with Management about Matters that could be Significant to the Financial Statements	None identified.
Expected Modifications to the Auditors Report	None identified.
Letter of Representation	Signed by Management 26 August 2008.
Material Weaknesses in Internal Control	None identified. Internal Control findings reported in our Interim Management Letter (June 2008)

Communication Required under ISA 260	Reference/Comment
Fraud	Discussed fraud arrangements with management throughout the audit. Annual fraud return submitted to Audit Scotland. See section 7.
Laws and Regulations	We have not identified any material breaches of laws and regulations which would impact on the 2007/08 financial statements. See section 7.
Audit Materiality	Audit Planning document – presented to Audit Sub-committee February 2008.
Fair Value Measurement and Disclosure	Included in representation letter, signed by Management 26 August 2008.
Related Parties	Other than those transactions disclosed in the financial statements we have not identified any further transactions requiring disclosure.

Formal Reporting to Management during 2007/08

During the year we have presented a number of formal reports to Management and the Audit Committee and produced certain outputs. Our principal outputs during 2007/08 are summarised below:

Formal Output	Timing
Audit Plan	February 2008
Interim Management Letter	June 2008
Annual Report to Board Members and the Controller of Audit	August 2008
Audit Opinion	August 2008

Freedom of Information (Scotland) Act 2002

This report is intended solely for the information of the Strathclyde Joint Police Board ("SJPB") and the Controller of Audit. In the event that, pursuant to a request which these parties receive under the Freedom of Information (Scotland) Act 2002, they will notify PwC promptly and consult with PwC prior to disclosing such External Audit Report. SJPB agrees to pay due regard to any representations which PwC may make in connection with such disclosure and SJPB shall apply any relevant exemptions which may exist under the Act to such External Audit Report. If, following consultation with PwC, SJPB discloses this External Audit Report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed. PricewaterhouseCoopers LLP does not accept any responsibility to any other party to whom this report may be shown or into whose hands it may come.

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