

# Central Scotland Joint Police Board

**Report to Members and the Controller of Audit  
on the 2008/09 Audit**



 AUDIT SCOTLAND

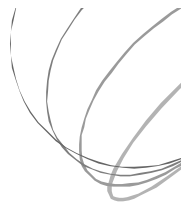


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# Contents

<b>Key Messages</b>	<b>1</b>	<b>Performance</b>	<b>16</b>
<b>Introduction</b>	<b>3</b>	<b>Final Remarks</b>	<b>23</b>
<b>Financial statements</b>	<b>4</b>	<b>Appendix A: Reports and Opinions</b>	<b>24</b>
<b>Financial position</b>	<b>8</b>	<b>Appendix B: Action Plan</b>	<b>25</b>
<b>Governance</b>	<b>12</b>		



# Key Messages

## Introduction

In 2008/09 we looked at the key strategic and financial risks being faced by the Board. We audited the financial statements and we looked at aspects of performance management and governance. This report sets out our main findings, summarising key outcomes from the 2008/09 audit and the outlook for the period ahead.

## Key outcomes from 2008/09 audit

Overall, we found the financial stewardship of the Board during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- We have given a **qualified** opinion on the financial statements of Central Scotland Joint Police Board due to a disagreement about the accounting treatment of FRS 17 (Retirement Benefits). As the impact on the General Fund balance is material, we have referred to this disagreement in the Auditor's Report to the Abstract of Accounts 2008/09
- Final accounts preparation procedures and working papers were generally good
- Balances as at 31 March 2009 have increased towards the level required as a contingency against unforeseen events and emergencies as required by the Board's reserves strategy.
- Many aspects of a sound corporate governance framework are in place. Work needs to continue, however, to fully embed risk management into strategic and operational planning activities
- Internal Audit concluded that "reasonable assurance can be placed upon the internal controls in operation throughout the board"
- all statutory performance indicators were assessed as reliable

Key issues for the Board in the future include:

- continuing to address the challenges to the Board in achieving its corporate objectives, including improvements in the linkages between the Board's corporate objectives, service and financial planning framework



- the need to continue developments in relation to governance arrangements, including an assessment of the effectiveness of the Best Value and Audit Sub-Committee, ongoing training for members and the development of effective risk management processes
- the development of a robust asset management planning process
- delivering the improvements to the board's procurements arrangements as identified in Internal Audit's procurement report.

Key issues for the attention of members are outlined in the Action Plan included in this report.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the Board during the course of the audit.

Audit Scotland  
October 2009



# Introduction

1. This report summarises the findings from our 2008/09 audit of Central Scotland Joint Police Board, the third year of a five year appointment. Other detailed reports have already been issued in the course of the year in which we make recommendations for improvements (see Appendix A). We do not repeat all of the findings in this report. Instead we focus on the financial statements and any significant findings that have arisen from our review of the management of strategic risks.
2. Findings are set out in four sections: financial statements; financial position; governance and performance. Within each of these sections we have also provided an outlook setting out key issues and concerns facing the board going forward.
3. The scope of the audit is set out in our Annual Audit Plan (AAP), which was submitted to the board in March 2009. The AAP summarises the specific governance and other risks that could affect the board's financial statements. It describes the work we planned to carry out in response to these risks.
4. Overall conclusions about the board's management of key risks are discussed throughout this report. Appendix B sets out the key risks highlighted in this report which we wish to draw to the attention of members and the action planned by management to address them.
5. The management of the board is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses highlighted by auditors in this and other reports are only those that have come to our attention during our normal audit work in accordance with the Code of Practice approved by the Accounts Commission, and may not be all of the weaknesses that exist. Communication by auditors of the matters arising from the audit does not absolve management from its responsibility to address the issues raised and for maintaining an adequate system of internal control.
6. We thank the members and officers of the board for their assistance and cooperation in the conduct of our 2008/09 audit.



# Financial statements

## Introduction

7. In this section we summarise key outcomes from our audit of the board's financial statements for 2008/09. We comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.
8. We audit the financial statements and give an opinion on:
  - whether they present a true and fair view of the financial position of the board and its expenditure and income for the year;
  - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
9. We also review the statement on the system of internal financial control by considering the adequacy of the process put in place by the board to obtain assurances on systems of internal financial control and assessing whether disclosures in the statement are consistent with our knowledge of the board.

## Auditor's Report

10. We have given a **qualified** opinion on the financial statements of Central Scotland Joint Police Board for 2008/09 due to a disagreement about the accounting treatment of FRS 17 (Retirement Benefits). As the impact on the General Fund balance is material, we have referred to this disagreement in the Auditor's Report to the Abstract of Accounts.
11. Proper accounting practice requires local authorities to make a charge to the income and expenditure account for pension costs based on FRS 17 Retirement Benefits. The Local Government Pension Reserve Fund (Scotland) Regulation 2003 (the 2003 Regulation) provides the statutory basis for local authorities to remove the FRS 17-based costs from being a charge to the general fund so that only the actual pension payments are charged to that fund. However, the 2003 Regulation does not currently apply to the new pension scheme established with effect from 6 April 2006 by The Police Pensions (Scotland) Regulations 2007. Although the Scottish Government intend amending the regulation to include this new scheme, there is no statutory basis for removing the FRS 17 based costs from the general fund in respect of the new scheme at the date these financial statements were authorised for issue.



12. The authority has removed FRS 17 costs amounting to £0.9 million in 2008/09 and £0.6 million in respect of previous years from the general fund on the basis that to adjust would artificially distort the financial position of the board. This has resulted in the balance on the General Fund as at 31 March 2009 being overstated by £1.5 million, with a corresponding understatement on the Pension Reserve.
13. The board's balance sheet has an excess of liabilities over assets of £282.852 million due to the accrual of pension liabilities in accordance with accounting standards. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on financial statements. One of the indications that may give rise to going concern considerations is an excess of liabilities over assets.
14. In his report in the Abstract of Accounts, the Treasurer outlines his view that it has been considered appropriate to adopt a going concern basis for the preparation of the financial statements as constituent authorities, under the Amalgamation Scheme 1995, will meet all liabilities of the board as they fall due. Future pension liabilities will be met, as they fall due, by government grant and contributions from constituent authorities in the normal way. We are satisfied that the process the board has undertaken to consider going concern is reasonable.

## Accounting practice

15. The board's unaudited financial statements were submitted to the Controller of Audit prior to the deadline of 30 June. Final accounts preparation processes and working papers available for audit were good and this enabled the audit to progress smoothly. Audited financial statements were finalised prior to the target date of 30 September 2009 and, in line with good practice, were presented to the board's Best Value and Audit Committee. They are now available for presentation to the Board and publication. The financial statements are an essential means by which the board accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.
16. 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). No major changes were introduced by the 2008 SORP and overall, we were satisfied that the board had prepared the accounts in accordance with the 2008 SORP.
17. The board adjusted the financial statements to reflect our audit findings. There were no immaterial unadjusted errors to be reported to the Treasurer and members via our letter issued in line with International Standard on Auditing 260 (ISA 260) *communication of audit matters with those charged with governance*.





## Legality

18. Through our planned audit work we consider the legality of the board's financial transactions. In addition the Treasurer confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the board's management team, the financial transactions of the board were in accordance with relevant legislation and regulations. There are no additional legality issues arising from our audit which require to be brought to members' attention.

## Statement on the system of internal financial control (SSIFC)

19. Scottish authorities are required by the local authority SORP to include a statement on the system of internal financial control with their statement of accounts. The 2008/09 financial statements include a Statement on the System of Internal Financial Control which 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.
20. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.
21. The SORP states that authorities *may choose* to include a wider statement of internal control in place of a statement of internal financial control. The CIPFA framework document *Delivering good governance in local government* recommends that the review of the effectiveness of the system of internal control should be reported in an annual governance statement. LAAP bulletin 71 *The Annual Governance Statement* clarifies that authorities are encouraged (but not required) to include an annual governance statement with their accounts. The board may wish to consider moving to an Annual Governance Statement in future years.

## Financial reporting outlook

### IFRS adoption

22. Local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2010/11. Because local government has already adopted some aspects of IFRS, we expect the transition to be fairly smooth. However, it is important that the board starts the transition period in 2009/10. A comparative balance sheet as at 1 April 2009 will be required and whole of government accounts will also be required on an IFRS basis from 2009/10.



23. This will present an early challenge in ensuring that the necessary financial (e.g. information in relation to leases and fixed assets) and non-financial (e.g. staff leave and flexitime balances) management information is available.
  
24. The board has entered into a contract with a CIPFA/PricewaterhouseCoopers partnership to assist in the early identification of issues and the smooth transition to fully IFRS compliant financial statements within the agreed IFRS timetable.



# Financial position

## Introduction

25. In this section we summarise key aspects of the board's reported financial position and performance to 31 March 2009, providing an outlook on future financial prospects, including our views on potential financial risks. Our findings and key messages are set out in this section, highlighting the significant challenges being faced by the board in managing ongoing financial pressures in funding existing service delivery and future improvement.

## General fund

### Operating performance 2008/09

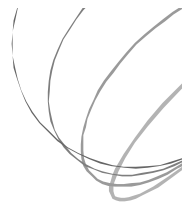
26. The board's net operating expenditure in 2008/09 was £73.227 million. This was met by constituent authorities' contributions of £26.970 million and general government grants of £27.233 million, resulting in an income and expenditure account deficit of £19.024 million. This represents 26% of the net expenditure for the year and largely reflects the unfunded nature of the Police Officers Pension Scheme.

27. The movement on the general fund balance is an important aspect of the board's stewardship as the main budget reference point. After making technical adjustments for amounts required by statute and non statutory proper practices, a surplus of £0.967 million was achieved for the year. The main technical adjustments required to arrive at the general fund balance result from:

- capital investment being accounted for as it is financed, rather than when fixed assets are consumed;
- retirement benefits being charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

28. The board's budget for 2008/09, assumed that reserves of £0.050 million would be utilised in the year. As noted at paragraph 23 above, the actual outturn for 2008/09 was a surplus of £0.967 million. In the Treasurer's Report, the Treasurer summarises the principal reasons for the favourable budget variance of £1.017 million, including:

- increased income of £3.2 million due to a number of factors including grants for additional officers, the Priority Crime Unit and the backdating of the increased commutations payments and the reimbursement of ICT costs which were previously funded from core grant,



- a reduction of £1.3 million in core grant and requisitions primarily as a result of the transfer of the ICT service to the SPSA;
- increased other costs of £0.85 million due to a number of factors, the most significant being higher costs of energy, equipment, fuel and payments to other agencies.

## **Reserves and balances**

29. The board holds a general fund which consists of both earmarked amounts set aside to support future years' expenditure and a contingency for unexpected events or emergencies. At 31 March 2009, the board held a general fund balance of £1.882 million, of which £1.470 million has been 'earmarked' to fund future payment of police pension commuted sums.
30. The remaining balance of £0.412 million is available to the board to meet unexpected risks and developments and as a working balance to assist cash flow management. The balance at 31 March 2009 is lower than the target level contained within the board's reserve strategy, which is set at 1% of Grant Aided Expenditure (around £0.5 million), however the balance is an improvement towards reaching the approved target level.
31. The amounts carried forward by the board were also within overall carry forward limits approved by Scottish Ministers.

## **Spending on assets and long-term borrowing**

### **Capital performance 2008/09**

32. Capital expenditure in 2008/09 totalled £1.436 million, reducing from £1.918 million in 2007/08. Capital investment in 2008/09 was funded from a government grant (£1.416 million) and capital receipts (£0.020 million). There was an underspend of £0.092 million against the budgeted expenditure of £1.528 million contained in the capital expenditure programme in 2008/09. This underspend mainly arose due to slippage in a regeneration project for which the start of the construction phase of the new facility in Central Business Park, Larbert, was delayed until 2009/10.
33. A mitigation plan was drawn up to ensure that, as in previous years, no capital funding was lost, the main feature of which was to bring forward spend on vehicles and equipment from April 2009.



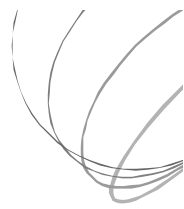
## Financial outlook

### Future capital programme

34. Revised capital investment programmes for 2009/10 and 2010/11 anticipate annual capital expenditure of £1.280 million in each year. This is expected to be funded from government grants and capital receipts.

### Pension liabilities

35. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions. In accounting for pensions, Financial Reporting Standard 17 (Retirement Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in very large future liabilities being recognised in the annual accounts.
36. The Police pension schemes are unfunded and have no assets to be valued. The board's estimated Police pension schemes liabilities as at 31 March 2009 are £298.800 million, increasing from £273 million in the previous year. As the schemes are unfunded, the pension liabilities will fall to be met by serving officers' contributions and by taxpayers in the future (through government funding).
37. The board's estimated pension liabilities for support staff at 31 March 2009 exceeded its share of assets in the Falkirk Pension Fund by £3.752 million. A full actuarial valuation of the Falkirk Pension Fund was carried out as at 31 March 2008. This valuation showed a reduction in the funding level, calculated as the ratio of fund assets to past service liabilities, decreasing from 86% as at March 2005 to 79% as at March 2008. This is mainly due to increased liabilities resulting from falls in bond yields.
38. The actuary is required to make a 3-year assessment of the contributions that should be paid by the employing authorities as from April 2009 to maintain the solvency of the fund. The actuary advised that the current 3-year assessment shows that budgeted contributions would increase from 16.8 % of pensionable pay to 23.8%.
39. Falkirk Council, as Fund administrators, requested the actuary to review the prospect of capping the increase (a stabilisation strategy). Applying the stabilisation strategy, the actuary advised that the new contributions for the three years to 31 March 2012 could be set as 18%, 18.5% and 19% respectively.
40. The results of this stabilisation satisfied the council that such an approach was appropriate for employers with a strong covenant and as a result the council and its actuary agreed to apply a stabilisation strategy with the revised contribution rates applying to Central Scotland Joint Police



Board, as well as Clackmannanshire, Falkirk and Stirling Councils and Central Scotland Joint Fire & Rescue Board and Central Scotland Joint Valuation Board from 1 April 2009 (with the consent of those bodies).

41. In establishing contribution rates the actuary is required to have regard to the existing and prospective liabilities of the fund and to the desirability of maintaining as nearly a constant rate as possible. The funding level on valuation was low relative to other Scottish local government pension funds, and the decision to apply the stabilisation strategy means that the future funding level will be lower than would otherwise have been the case. The implications of the decision to restrict employers' contributions will be kept under review by the actuary in the course of future valuations.

**Key risk area 1**

42. Each year the Board receives reports from the actuary advising of the calculated amounts for pension expenses in compliance with FRS 17. The actuarial reports are based on information supplied by the Board and actuarial assumptions made by the actuary. The reports are advisory, however there is no evidence that the Board reviews the assumptions reported to ensure that it is satisfied with the assumptions used.

**Key risk area 2**



# Governance

## Introduction

43. In this section we comment on key aspects of the board's governance arrangements during 2008/09. We also provide an outlook on future governance issues, including our views on potential risks.

## Overview of arrangements in 2008/09

44. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. In 2008/09 we carried out a review of the governance arrangements in Central Scotland Joint Police Board. We concluded that, overall, the Board had systems in place that operated well within a sound control environment, although some areas were identified where improvements could be made.

## Political Governance

45. In 2007/08 we reported on the significant number of new members to the board and the early stage of undertaking training needs assessments and compiling personal development plans for all members. We note that member's training requirements are being re-assessed, following which training needs assessments and compiling personal development plans will be developed.
46. We also note that members and substitute members received specific scrutiny training at a well attended training event in September 2009.

## Best Value & Audit Sub-committee

47. In 2007/08 we reported that the Best Value and Audit Sub-Committee had met infrequently. In addition, we noted that the Sub-Committee had not been assessed to ensure that it is carrying out its functions in an effective manner. We referred to the CIPFA/SOLACE publication "*Audit Committee Principles in Local Authorities in Scotland*" which contains a good checklist against which 'audit committees' can be self assessed.
48. We are pleased to note that the Sub-Committee now meets regularly on a quarterly, basis. However, the Sub-Committee has not yet been assessed to provide a measure of how effective it is in its scrutiny role.

**Key risk area 3**



## Internal Audit

49. Internal audit provides an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. The board's internal audit service is provided by Stirling Council under a service level agreement.
50. We carry out an annual review of the board's internal audit arrangements against CIPFA's revised Code of Practice for Internal Audit in Local Government 2006. We are pleased to conclude that internal audit work within the board is of a sufficient standard which allows us to place reliance on internal audit work in order to reduce our own input.

## Risk management

51. In 2006/07, we identified the development of effective risk management processes as a key issue for the board to take forward. This included the completion of the board's risk register and the formalisation of an over-arching risk management strategy, followed by the embedding of risk management in strategic and operational planning activity.
52. Our 2007/08 review revealed that the Force still needed to embed effective risk management processes as an integrated part of its strategic planning process. We also noted that a corporate risk register was still under development. We were advised that the Deputy Chief Constable would be setting up and leading a Corporate Risk Management Group to further develop the Force's strategic approach in this area.
53. We have been advised that a Corporate Risk Register is in place and together with the Strategic Threat Assessment from the National Intelligence Model they make up the Force's Strategic Risk Register, which is a standing item for Force Policy Group meetings.
54. We also note that a *Risk Management Arrangements* internal audit review has been completed, reporting on 4 June 2009, and that an agreed action plan is being progressed. This review showed that there is scope for further improvements in Risk Management including improvements to the Corporate Risk Register, strengthening the monitoring and reporting arrangements and specific training for members of the Board and officers in relation to their risk management role. We also note the Risk Management Framework and procedures had not been formally approved by the Board.

## Systems of internal control

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





- Payroll
- Main accounting system
- Accounts payable
- Accounts receivable
- Budgetary control
- Capital accounting
- Cash income & banking

56. In his Internal Audit Annual Report 2008/09, the Corporate Governance Manager, in his capacity as Chief Internal Auditor for the board, confirmed that reasonable assurance can be placed upon the internal controls in operation throughout the board.

## Prevention and detection of fraud and irregularities

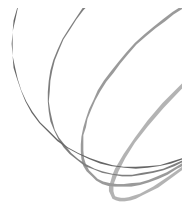
57. At the corporate level, the board has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. The board has an approved Anti-Fraud Policy, Fraud Response Plan and Professional Standards Reporting Policy which contribute to sound arrangements to prevent and detect fraud and corruption. Each year, Audit Scotland gathers information on such cases of fraud identified by audited bodies, including police boards. In 2008/09, there were no cases reported for Central Scotland Joint Police.

## NFI in Scotland

58. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, 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 (£40 million to 2008). If fraud or overpayments are not identified in a body, assurances may be taken about internal arrangements for preventing and detecting fraud.

59. The most recent data matching exercise was carried out in October 2008 and national findings will be published by Audit Scotland in May 2010. We monitored the board's involvement in NFI during the course of the audit and found that the Director of Finance and Resources had taken appropriate steps to manage the process.

60. The 2008/09, NFI generated a total of 84 data matches for Central Scotland Joint Police Board to investigate. These data matches covered payroll & pensions payments and all have been investigated and cleared. Although no cases of fraud have been uncovered and no savings have as yet been generated, assurance may be taken about the internal arrangements to assist in the prevention and detection of fraud.



## Information Management

61. In our audit of 2007/08, we reviewed data handling aspects of information management. We noted two significant developments that affect information management at the Board. Firstly, with effect from April 2008, in accordance with national policy, information and communications technology (ICT) was outsourced to the Scottish Police Services Authority (SPSA). Secondly, the Board is participating in the national Management of Police Information (MOPI) programme, which involves the review of all aspects of information acquisition, use and retention, and the setting of quality standards at each stage, for each type of data.
62. The SPSA has now supplied ICT services to the Board for over a year. Performance of the partnership is part of the remit of the Deputy Chief Constable-led Information Management Board and a Force Partner Manager has been appointed. The first year proved challenging as new operational procedures were introduced. On a strategic level, it is important to the board that the ICT outsourcing arrangement with SPSA is successful over the long term. The use of a national body offers the opportunity to apply service management standards that can realise cost savings and efficiencies that a local information technology service cannot. Measures to improve communication between the Board and the SPSA, such as a possible Change Advisory Board, are to be welcomed. In addition, SPSA are currently implementing a national service desk, which when available, should improve monitoring.
63. We were informed that the Management of Police Information (MOPI) programme continues and that it is currently subject to review by the national ACPOS MOPI team. This review is expected to conclude towards the end of October.

## Governance outlook

64. In the coming years the board faces challenges to improve its governance arrangements, including
  - evaluating the Best Value and Audit Sub-Committee to ensure that it is operating effectively;
  - the development of Training Needs Analyses and Personal Development Plans
  - further embedding risk management into the board's strategic and operational planning activity.



# Performance

## Introduction

65. In this section we summarise the board's performance management arrangements. We also provide an outlook on future performance management issues, including our views on the current status of identified risks.

## Single Outcome Agreement

66. The concordat between the Scottish Government and COSLA set out the terms of a new relationship between the Scottish Government and local government. It underpinned the funding to be provided to local government over the period 2008/09 to 2010/11. Central to the concordat is the single outcome agreement (SOA).

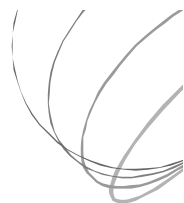
67. From 2009-10, the SOA will broaden to encompass the commitments and shared accountability of the local Community Planning Partnerships in delivering improved outcomes for local areas. The board has been active in all three Community Planning Partnerships since the introduction of SOAs and has been involved at all stages of the preparations for the Falkirk, Stirling and Clackmannanshire SOAs. Performance standards have been agreed and are being monitored.

68. For all that has been said about the concordat and the single outcome agreements with councils and their community planning partners, it has always been absolutely clear that councils still need to report on the quality, accessibility and value for money of all their services as part of their Best Value duties. This is also true of Police and Fire & Rescue services

69. We plan to continue to review progress in this area on an ongoing basis.

## Statutory performance indicators

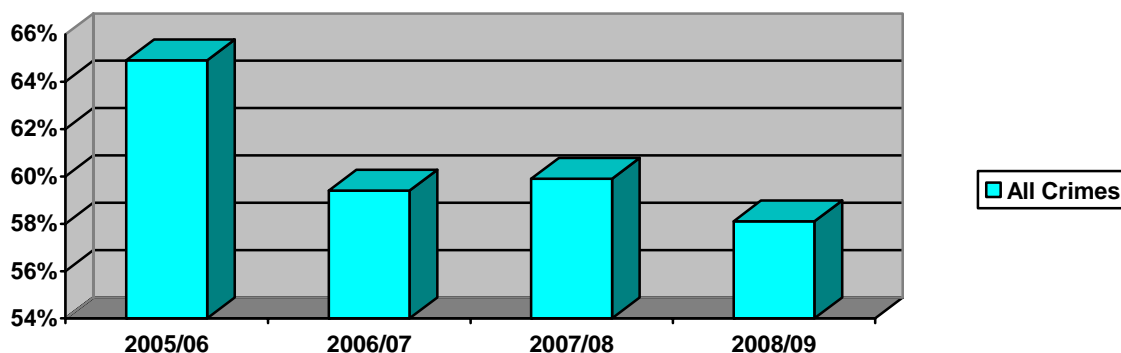
70. The board has a statutory duty to collect, record and publish specified performance indicators and, so far as is practicable, ensure they are accurate and complete. The Accounts Commission issues a Direction each year detailing the statutory performance indicators (SPIs) that require to be published and external auditors review the board's arrangements and return details of the indicators, including an opinion on their reliability. The performance information audited was generated from the Scottish Policing Performance Framework (SPPF) and audited performance information is due to be published by the Scottish Government in December 2009.



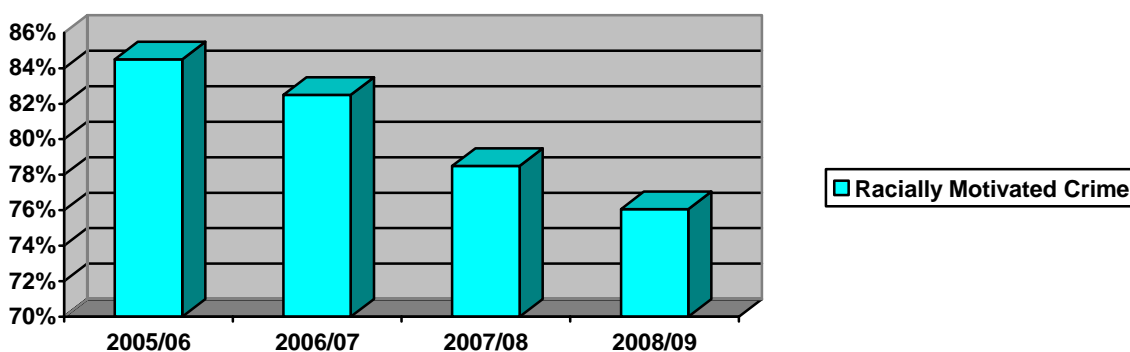
71. Our assessment of the SPIs highlighted that the arrangements for collecting, recording and publication of the 2008/09 indicators were reliable.

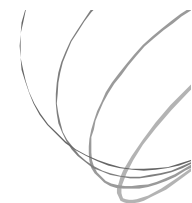
### **Percentage of crimes cleared up**

72. The level of crime cleared up is a key indicator in measuring police effectiveness. The 2008/09 SPIs showed that there has been a decrease in clear up levels in 2008/09 from 59.9% to 58.1%. While this indicator has deteriorated, it still compares well with the 2007/08 Scottish average of 47.9% (the latest national information available at this time)



73. Following a drop in the number of racially motivated incidents per 1,000 of the population in 2007/08, the figure increased in 2008/09 from 1.2 to 1.3. Meanwhile, detection rates again decreased from 78.5% in 2007/08 to 76.1% in 2008/09 (although this still compares favourably to the 2007/08 Scottish average of 68.3%).



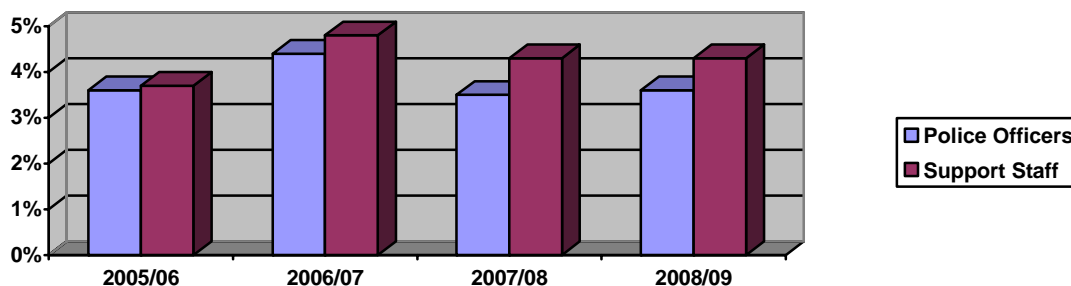


### **Proportion of 999 calls answered within ten seconds**

74. In 2007/08 the Force's answered 90.7% of all 999 calls within 10 seconds. In 2008/09, the Force's performance has improved with 91.7% of all 999 calls answered within 10 seconds. This improvement brings the Force more into line with the 2007/08 Scottish average of 91.4%.

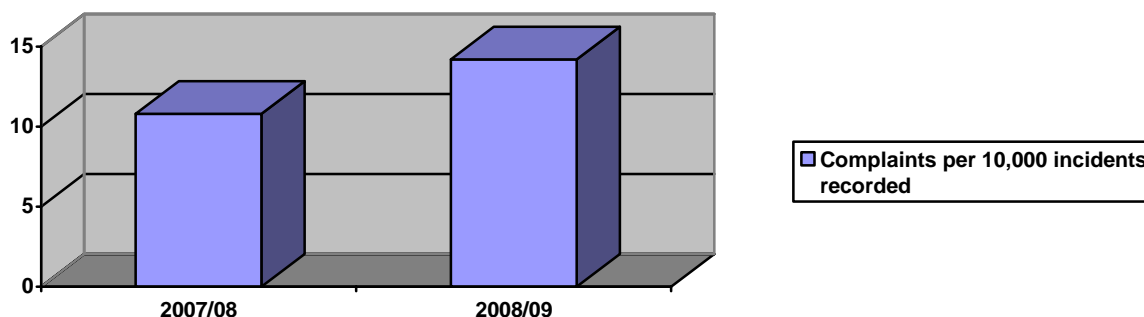
### **Proportion of working time lost due to sickness absence**

75. The 2008/09 the SPIs highlighted little change in the level of sickness absence, with sickness absence for police officers rising from 3.5% to 3.6% and for support staff remaining unchanged at 4.3%. These indicators compare well with the 2007/08 Scottish averages of 4.7% and 5.4% respectively.



### **Number of complaints**

76. There has been a change to this indicator in 2008/09, with the definition being widened to cover other police staff in addition to police officers. Prior year comparatives have been reported for the new indicator and the indicators show that there has been an increase in the number of complaints from 10.8 per 10,000 incidents recorded in 2007/08 to 14.2 in 2008/09.





### ***Drug Offences***

77. The number of recorded offences for supply and possession with intent to supply class A drugs increased to 294 in 2007/08, a 206% increase on the average number between 2000 and 2003. This compared to a national target to increase the number of detected offences by 10%. In 2008/09, the number decreased to 284, resulting in a 199% increase on the average number between 2000 and 2003.

### ***Number of persons killed or injured as a result of road accidents***

78. There have been slight increases in the annualised number of persons and number of children killed per million vehicle kilometres in 2008/09 with the number rising from 0.054 to 0.058 for the number of persons and from 0.003 to 0.007 for the number of children. At the same time, the number of persons slightly injured per million vehicle kilometres has reduced slightly from 0.249 to 0.233.

### ***Police reports sent to the Children's Reporter and Procurator Fiscal***

79. A national target of 10 working days after caution/charge has been set for the time taken to submit police reports to the Children's Reporter. The Force achieved a submission rate of 83.4% for reports sent to the Children's Reporter within target (the 2007/08 Scottish average was 86.8%). In relation to the submission of reports to the Procurator Fiscal, the Crown Office and Procurator Fiscal Service and ACPOS have agreed that Forces should aim to submit 80% of reports within 28 calendar days. The Force met this target in 2008/09 with 86.3% of their reports being sent to the Procurator Fiscal within target (the 2007/08 Scottish average was 85.1%).

### **Her Majesty's Inspectorate of Constabulary for Scotland (HMICS)**

80. Audit Scotland continues to work closely with HMICS and other scrutiny bodies to minimise the burden of audit and inspection on public bodies and to optimise the use of resources available for such work. HMICS has carried out two pieces of work which are aimed at assisting Joint Police Boards in their drive for continuous improvement.

### ***Self evaluation***

81. In 2008/09 HMICS introduced a process of self-assessment, based on EFQM principles to replace the previous inspection regime. Forces identified that there was general support for this concept. The 2008/09 process resulted in an action plan which identified nine activities at a corporate level, and this plan was reported to the Board.



82. Progress against the action plan is reported to the Best Value and Audit Sub-Committee as a standing item on the agenda. Actions have been prioritised and progress has been made on a number of these, including completion of a force-wide staff survey, promotion of the Force Strategic Plan and introduction of the new system of staff Performance and Development Reviews.

### ***Thematic Reports***

83. Between March 2008 and March 2009, HMICS published 11 Thematic Reports containing a total of 60 recommendations which impacted on police services. Addressing this volume of recommendations presents a significant challenge to the boards.
84. By the end of 2008/09 47 of the 60 recommendations had not been fully discharged by the board, however 27 of these required work at a national level relating to such matters as centralised training and the development of shared national IT systems. Progress is being made in the remaining 20 recommendations.

### **Performance outlook**

85. In our audit work we examine the strategic risks to the board in delivering on its stated objectives and priorities in the years ahead. In 2008/09 we have looked at the progress made by the board during the year and the key risks yet to be fully addressed.
86. ***Effective strategic planning:*** effective strategic planning requires a clear link between corporate planning, service planning and financial planning. In our 2007/08 report on the audit we noted that the board recognised that further development of the Board's approach to future budgeting, taking into account the broad policy objectives, would be prudent to allow the board to consider medium and long term resource planning issues in the context of achieving its strategic objectives.

The board successfully secured full match-funding for 2009/10 and an agreed full indicative settlement for 2010/11. However, the board recognises the wider pressure on public finances and plans to continue to develop a planning format which more explicitly identifies the financial impact of new demands and strategic priorities.

#### **Key risk area 4**

87. ***Performance Management:*** the board has recognised the need to have an integrated corporate performance management system and has introduced a local Force Performance Framework (FPF). The FPF is based on the Scottish Police Performance Framework (SPPF) which was introduced nationally in 2007/08 and is augmented by local performance indicators linked to the board's strategic



objectives and the SOAs relevant to each of the Community Planning Partnerships. Performance progress is regularly monitored and reported to members.

The board has also established a Force Performance Improvement Board (FPIB) which was set up to support a culture of continuous improvement within the force, based on control and accountability approaches to performance management.

88. **Public Performance Reporting:** the main mechanism for reporting police performance to the public continues to be the Chief Constable's Annual Report (in a magazine format '365') delivered to all households in the area. In our 2007/08 report we noted that the board had consulted with 5,000 members of the community on the content of PPR. The results of this consultation informed changes to the 365 magazine, with increasing emphasis on performance results in key areas, including information from the SPPF.

We note that following discussion at the FPIB, a proposal was put forward to include performance reporting within the board's 2009/10 Best Value Service Review Programme. This review, which was approved by the Best Value and Audit Sub-Committee in June 2009, examines the arrangements by which information on Force performance is given to various stakeholders (including the Joint Police Board) and to make recommendations for improvement.

89. **Workforce Planning:** in our 2007/08 report we reported that a workforce plan had been established, which set out recruitment milestones to cover the implementation period. In addition, a pilot 'Priority Crime Unit' had been created and would be evaluated for effectiveness. A final assessment on the optimum staff mix was to be dependent upon the outcomes of this work.

An Establishment Working Group has been set up to monitor the recruitment plan for the Force. One of the priorities of the Group is to ensure there is a continued focus on full staffing of community policing teams. The civilianisation programme is also on schedule and a review of senior ranks and back office functions has been completed. The Priority Crime Unit, which was set up to look at the roles of front line police officers and the scope for civilianisation of some activities which do not require policing powers, has been independently reviewed by the Scottish Institute of Policing Research (SIPR) and positively assessed.

90. **Asset Management:** in our 2007/08 report we reported that the board had been collecting much asset management information, but at that stage did not have a comprehensive asset management plan (AMP) in place. The board has identified an agreed timetable for the completion of an Asset Management Strategy and Plan and aims to produce a draft document for consideration by April 2010. The development of a plan is the first step in the asset management process and much work will be required to implement the plan and deliver effective asset management.





91. **Procurement:** public sector bodies spend significant sums annually purchasing goods and services. As part of the efficient government initiative the Scottish Government identified that scope existed for significant financial savings through improved procurement practice. The McClelland Report on procurement, published in March 2006, confirmed that significant savings were possible but concluded that public sector procurement processes still had weaknesses in resources, skills, organisational structures and practices.

In June 2009, the Corporate Governance Manager and the Director of Finance and Resources submitted a report to the Best Value & Audit Sub-committee detailing the findings from a joint high-level review of the board's procurement arrangements and capabilities relative to the "best practice" recommendations of the McClelland Report. This review concluded that the board had established a number of arrangements that meet the basic requirements of the McClelland Report but that a number of issues required consideration and further action by the Force. An action plan was agreed and included in the report to assist the board in making progress with the recommendations of the McClelland Report and implement best-practice in its procurement activity.

92. **Shared Services:** in the light of financial pressures and the drive for efficiency it is recommended that public sector bodies should give consideration of shared services a high priority. We have been advised that options for shared services are being progressed through ACPOS and locally with other public sector bodies. We also note that an East of Scotland Shared Recruitment Project is beginning a year long pilot to look at provide a shared service for recruitment. The project comprises human resources staff from the forces at Central Scotland, Tayside, Fife and Lothian & Borders and is based at the Scottish Police College.



# Final Remarks

93. 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 members. In response, officers have considered the issues and have agreed to take the specific steps set out in the column headed 'planned management action'. On occasion, officers may choose to accept the risk and take no action. Alternatively, there may be no further action that can be taken to minimise the risk. Where appropriate, the action plan clearly sets out management's response to the identified risks.
  
94. Appropriate mechanisms should be considered and agreed by members for monitoring the effectiveness of planned action by officers. We will review the operation of the agreed mechanism as part of the 2009/10 audit.
  
95. The co-operation and assistance given to us by Central Scotland Joint Police Board members and staff is gratefully acknowledged.

# Appendix A: Reports and Opinions

## External audit reports and audit opinions issued for 2008/09

Title of report or opinion	Date of issue	Date presented to Best Value & Audit Committee
Annual Audit Plan	6/3/09	19/6/09
Review of Main Financial Systems	5/6/09	19/6/09
Statutory performance indicators	28/5/09	N/A
Report on financial statements to those charged with governance	17/9/09	25/9/09
Audit opinion on the 2008/09 financial statements	22/9/09	25/9/09
Annual report to the members and the Controller of Audit	30/10/09	N/A (will be presented to the Board on 27/11/09)
Audit opinion on Whole of Government Accounts	30/10/09	N/A

# Appendix B: Action Plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Completion Date
1	41	<p><b>Pension contributions stabilisation strategy</b></p> <p>The board's administration staff are members of the Falkirk Pension Fund. The funding level of the Fund is low compared to other Scottish local government pension funds. The decision to apply a stabilisation strategy to restrict the rise in employers' contributions means that the future funding level will be lower than would otherwise be the case.</p> <p><b><i>Risk: The stabilisation strategy may place a strain on the fund, leading to significantly higher employer costs in the long term.</i></b></p>	<p>We will continue to seek assurances from the LGPS Administrator that the levels of employers contributions are appropriate to meet the long term liabilities of the fund and we will continue to attend the Investment Forum and ensure that the views of the Board are represented. The Fund will also be actuarially reviewed at least every 3 years to ensure that the continued use of the stabilisation strategy is appropriate.</p>	Director of Finance & Resources	Ongoing
2	42	<p><b>FRS 17 pension costs, assets and liabilities</b></p> <p>In accounting for pensions, Financial Reporting Standard 17 (Retirement of Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in very large future liabilities being recognised on the face of annual accounts. An actuarial calculation of the FRS17 impact is provided to the Joint Board each year however no review of the assumptions or rates applied by the actuary is carried out to ensure the Joint Board is satisfied that these are appropriate to local circumstances.</p> <p><b><i>Risk: FRS 17 pension costs, assets and liabilities may be based on inaccurate or inappropriate assumptions.</i></b></p>	<p>We will work with the Pension Funds Administrator to establish a formal process to review the actuarial assumptions used by the actuary</p>	Director of Finance & Resources	March 2010

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Completion Date
3	48	<p><b>Best Value and Audit Sub-Committee</b></p> <p>There has been no assessment of the Best Value and Audit Sub-Committee to ensure that it is carrying out its functions in an effective manner.</p> <p><b><i>Risk: the committee may not be effective in scrutinising the activities of the board and holding management to account.</i></b></p>	<p>We are currently developing a self-assessment checklist which will be submitted to the Sub-Committee for completion early in 2010</p>	<p>Clerk to the Board</p>	<p>February 2010</p>
4	86	<p><b>Effective strategic planning</b></p> <p>Effective strategic planning requires a clear link between corporate planning, service planning and financial planning. The board recognises the wider pressure on public finances and plans to continue to develop a planning format which more explicitly identifies the financial impact of new demands and strategic priorities.</p> <p><b><i>Risk: resources may not be effectively targeted at board priorities.</i></b></p>	<p>We plan to further develop future budgetary plans, which are considered by members and constituent authorities, to more explicitly identify the financial impact of new demands and strategic priorities</p>	<p>Director of Finance &amp; Resources</p>	<p>January 2010</p>