



INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Crown Office and Procurator Fiscal Service

Annual audit report to the Crown Office and Procurator Fiscal Service
and the Auditor General for Scotland

Year ended 31 March 2009

11 September 2009

AUDIT

Contents

The contacts at KPMG in connection with this report are:

David Watt

Director
Tel: 0141 300 5695
Fax: 0141 204 1584
david.watt@kpmg.co.uk

Sheena Armour

Senior Manager
Tel: 0141 300 5614
Fax: 0141 204 1584
sheena.armour@kpmg.co.uk

Alasdair Douglas

Assistant Manager
Tel: 0131 527 6771
Fax: 0131 527 6666
alasdair.douglas@kpmg.co.uk

- Executive summary
- Introduction
- Annual accounts
- Use of resources
- Governance and accountability
- Performance

About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of only the Crown Office and Procurator Fiscal Service and is made available to Audit Scotland (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

Annual accounts and financial position

Following approval of the financial statements on 9 July 2009 we issued an audit report expressing an unqualified opinion on the accounts and regularity of transactions for the year ended 31 March 2009. Those accounts reported underspends of £1.363 million and £0.779 million for revenue and capital expenditure, respectively. This is in line with agreed Scottish Government targets.

In preparation for 2009-10 management accelerated the business planning and budgeting process. Management expect that the revised process will lead to a number of improvements including simplification and standardisation of planning formats, and improved timing and adherence with deadlines. The planning process for 2009-10 was targeted for December 2008 and budgets were formally approved by the management board in January 2009.

Corporate governance

COPFS has implemented the recommendations raised from an internal review of senior management structures in January 2008. The key recommendation arising from this report was that the membership and remit of the management board should be smaller and focused on strategic issues, with a designated corporate issues committee to assess corporate service issues. Consequently a new corporate issues sub-group was created to assist in the governance of the organisation in tandem with the management board and area fiscals group. The remit of this new group includes responsibility of ensuring that working polices meet the business needs of the service, considering proposals, projects and initiatives affecting the organisation and making recommendations to the management board on corporate business issues, where required.

Management have still to complete its report on efficiency savings achieved for 2008-09, but expect the final outturn to be in line with the anticipated efficiency savings for 2008-09 reported to the Scottish Government efficient government team in December 2008 of £2.32 million. This is in line with the target set for 2008-09. The impact of summary justice reform improvements form a key element of COPFS's continued achievement of efficiency savings.

Performance management

Management continue to implement robust reviews of performance against key business performance targets set by the Scottish Ministers. During 2008-09 all targets were achieved and exceeded. The "Summary Justice Reform" process continues to progress and is subject to constant review by the management board. There have been noted performance improvements, including reductions in cases reported and increases in early pleas. There has been continuous media interest throughout 2008-09 and the service has responded through local media interviews to ensure that the benefits of summary justice reform are clear to victims, witnesses and communities.

The performance of staff and COPFS's commitment to providing effective learning and supporting arrangements for staff development through their careers is a key focus for management for the future. The implementation of the people strategy in 2008-09 to demonstrate this commitment will be extended by COPFS's learning and development strategy, currently under development, to further improve the facilities and options available to staff to improve their own skills and abilities. To reflect the resources invested by COPFS in its staff, management will look to seek re-accreditation as an *Investor in People* later in 2009.

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice* ("the Code"). This specifies a number of objectives for our audit.

Audit framework

This year was the third of our five-year appointment by the Auditor General for Scotland as external auditors of the Crown Office and Procurator Fiscal Service ("COPFS"). This report to COPFS and the Auditor General provides our opinion and conclusions and highlights significant issues arising from our work.

We outlined the framework under which we operate, under appointment by Audit Scotland, in the audit plan overview discussed with the audit committee on 12 December 2008.

The purpose of this report is to report our findings as they relate to:

- the **accounts** and our audit opinions on net operating costs and the regularity of transactions;
- **use of resources**, including financial outturn for the year ended 31 March 2009 and financial plans for 2009-10 and beyond;
- arrangements around **governance and accountability**, including risk management, partnership working and our consideration of the work of internal audit; and
- **performance management** and COPFS's arrangements to achieve efficiency savings.

Best Value

Audit Scotland and the Scottish Government have been committed to extending the Best Value audit regime across the whole public sector for some time now, with significant amounts of development work having taken place during the last year. Using the Scottish Executive's nine best value principles as the basis for audit activity, Audit Scotland selected five areas as priority development areas (use of resources, governance and risk management, accountability, review and option appraisal, and joint working).

In 2008-09 we completed work on arrangements to achieve Best Value through efficiencies and information management. Plans are being developed for the application of a series of toolkits on the use of resources in future years based on an assessment of COPFS's priorities and risks during the audit planning process.

Responsibilities of the Accountable Officer and auditors

External auditors do not act as a substitute for the Accountable Officer's responsibilities for putting in place proper arrangements to account for the stewardship of resources made available to him and COPFS's financial performance in the use of those resources, to ensure the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the effectiveness of those arrangements and to make arrangements to secure Best Value.

Action plan

We have not repeated recommendations raised in reports issued during our earlier work in respect of our 2008-09 audit. Responsibility for taking action and monitoring progress in response to all our recommendations lies with management. We have not identified any further areas for development or improvement during our accounts audit fieldwork.

Acknowledgement

We wish to record our appreciation of the continued co-operation and assistance extended to us by COPFS staff.

Background – overview of activities

COPFS is a service of the Scottish Government, headed by the Lord Advocate, responsible for the prosecution of crime in Scotland, the investigation of sudden or suspicious death and the investigation of complaints against the police. COPFS comprises two distinct elements: the Crown Office, which comprises the operations group responsible for prosecutions in the High Court and the corporate services group that provides policy and operational support services; and 11 territorial groupings headed by an area procurator fiscal accountable for the quality and timeliness of legal decision making in their local area. COPFS also provides a dedicated victim information and advice service which offers support to victims, bereaved relatives and vulnerable witnesses.

The Crown Agent and Chief Executive commissioned a “review of senior structures in the Crown Office and Procurator Fiscal Service” which concluded in January 2008. The purpose of this review was to consider whether the structures, roles and responsibilities at management board and area fiscal level remained fit for purpose and appropriately balanced against the challenges faced by COPFS and to make recommendations for improvements, as appropriate. The review made a number of recommendations which have been implemented during 2008-09. As part of this review, a corporate issues sub-group was formed with the purpose of ensuring that COPFS is organised and managed in the most effective way, that its corporate service ways of working and policies meet business needs and that, where appropriate, it makes decisions on corporate business issues or makes recommendations to the management board when its decision-making is required.

The management board continues to review the progress of summary justice reform. Management have noted a significant reduction in cases reported, cases in the Sheriff Court and increases in the use of undertakings. There has also been a noted decrease in the number of reports submitted by the police, and an increase in the number of early pleas, particularly at the pleading diet.

COPFS has seen an increase in total costs of £8.7 million. This reflects the additional expenditure allocated in year one of the Spending Review 2007 to meet the pressures facing the service, including growth of solemn work and implementation of vulnerable witness legislation, as well as high profile cases such as Lockerbie and the Stockline (ICL) Inquiry. The increase in costs includes overall increases of 9.5% and 9.1% in respect of on payroll costs and administration costs. These reflect the impact of pay rises and increased staff numbers during 2008-09 and the uptake of early retirements offered to staff during the year.

During 2008-09 management launched the COPFS people strategy to reflect management’s commitment to taking action to improve performance and providing a rewarding career for its staff. A revised performance management system was also launched for employees in April 2008, with the exception of senior civil service staff for whom the Cabinet Office sets a national system.

Management have authorised the business plan for 2009-10 and have set 12 priorities for the service’s divisions which will support COPFS’s five underlying key objectives in order to maintain the quality and timeliness of its work. Achievement of the business plan in 2009-10 will be challenging due to the impact of ongoing summary justice reforms, as management look to ensure that resources are freed up as required and efficiency savings are correctly reallocated during 2009-10 year to meet the increase in priorities identified as necessary to deal with serious crime, and in further meeting the needs of communities across Scotland. Continued partnership with various organisations, including police bodies and the Scottish Court Service will be key to ensure support is available to maintain performance against these objectives in future years.

We have issued unqualified opinions on the annual accounts and the regularity of transactions reflected in those accounts.

Key issues and points arising from our audit are:

- Financial position – At 31 March 2009 management reported an underspend of £1.363 million for revenue expenditure and £0.779 million for capital expenditure. This outturn was in line with revised plans agreed by management with the Scottish Government. We performed substantive analytical procedures and testing as part of our final audit to obtain assurance over the financial position reported within the final accounts and did not identify any significant issues impacting the reported results;
- Legal and witness costs and expenses – Given the nature of these claim driven payments, there is an inherent risk of error relating to these costs. Management have implemented a number of controls over the processing of these expenses to mitigate the risk of fraud. As part of our year-end audit fieldwork we carried out substantive testing over legal and witness costs and did not identify any significant errors; and
- New financial reporting standards – Under the requirements of the Government financial reporting manual, the financial reporting standards relating to financial instruments – FRS 25 *Financial instruments: presentation* and FRS 26 *Financial instruments: recognition and measurement* – are applicable to COPFS for the year ended 31 March 2009. The annual accounts have been updated to include relevant disclosure and measurement of the three risks to which COPFS is exposed from the use of financial instruments.
- Provisions for liabilities and charges – As part of our audit procedures we identified two adjustments relating to provisions which combined result in an understatement of provisions of £0.175 million. We considered the effect of these items to be immaterial to the overall financial position and have therefore included these in our summary of unadjusted audit differences.

Recommendations

We did not identify any significant recommendations for development in relation to the accounts.

Audit opinions and key issues

Reporting arrangements and timetable

In accordance with COPFS's timetable, draft annual accounts were available for audit on 5 June 2009, in advance of the agreed start date for audit fieldwork. This allowed for timely completion of the audit and consideration and approval of the annual accounts by the deadline of 9 July 2009.

Audit opinion

Following approval on 9 July 2009 we issued an audit report expressing an unqualified opinion on the annual accounts for the year ended 31 March 2009 and on the regularity of transactions reflected in those accounts.

Key issues arising during our audit of the financial statements

Our audit plan overview and interim management report identified three key risk areas. We have concluded our work in these areas and summarise the results below.

Key risk area	Conclusions
Financial position	<p>At the March 2009 meeting of the corporate issues sub-group, it was reported that COPFS was forecasting underspends of £1.445 million for revenue costs and £0.843 million for capital expenditure against the Scottish Government targets of £1.3 million and £0.8 million, respectively.</p> <p>The finalised position is an underspend of £1.363 million for revenue costs and £0.779 million for capital expenditure.</p> <p>We performed substantive analytical procedures and testing as part of our final audit to obtain assurance over the financial position reported within the final accounts and did not identify any significant issues impacting the reported results.</p>
Legal and witness costs and expenses	<p>Given the nature of these claim driven payments, there is an inherent risk of error relating to these costs. As part of our year-end audit fieldwork we carried out substantive testing over legal and witness costs and did not identify any significant errors. COPFS's staff involved in the administration of witness claims receive training in fraud awareness with a view to enabling them to identify potentially fraudulent claims which must then be brought to the attention of the head of internal audit. COPFS has also implemented a number of controls over the process to mitigate the risk of fraud.</p>
New financial reporting standard – financial instruments	<p>Under the requirements of the Government financial reporting manual, the financial reporting standards relating to financial instruments – FRS 25 <i>Financial instruments: presentation</i> and FRS 26 <i>Financial instruments: recognition and measurement</i> – are applicable to COPFS for the year ended 31 March 2009.</p> <p>The objectives of these standards are to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities and to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.</p> <p>The annual accounts have been updated to include disclosure and measurement of the three risks to which COPFS is exposed from the use of financial instruments. These are liquidity risk, credit risk and market risk. The disclosure explains how these risks are managed by COPFS.</p>

Regularity of transactions

In accordance with our responsibilities within the *Code*, we provide an opinion on COPFS's annual accounts and, as required by relevant authorities, the regularity of transactions. We reviewed appropriate guidance over the preparation and content of the annual accounts.

We have considered the specific requirements of a number of financial circulars, particularly those in relation to remuneration and procurement, and did not identify any instances of non-compliance. There were no issues arising as a result of our work on regularity.

We updated our understanding of performance management arrangements in relation to the performance targets set out in COPFS's 2008-09 business plan. The results of this review are documented within the performance section of this report.

Service organisations

The monthly payroll function of COPFS is outsourced to Logica CMG, an independent third party. A service level agreement is in place between the two bodies which defines the services provided and the anticipated timing of service delivery for each month.

We have reviewed and tested the control arrangements in place for the monitoring and processing of payroll expenditure to obtain positive assurance over the controls implemented by COPFS, for ensuring the quality and integrity of the information processed by Logica CMG. We did not identify any significant areas of weakness during our audit work.

Implementation of International Financial Reporting Standards

The 2007 Budget had announced that central government and health bodies would report under international financial reporting standards ("IFRS"), as adapted by HM Treasury through the financial reporting manual ("IFReM"), from 2008-09. Following consultation with Government departments and the Financial Reporting Advisory Board on the technical work needed to implement this change, the Government now intends to move to IFRS from 2009-10 as announced in the 2008 Budget.

Central government bodies will be required to prepare their financial statements on the basis of the IFReM from 2009-10. Shadow IFReM financial statements, including an opening balance sheet, will be required for 2008-09. The shadow IFReM financial statements are subject to 'dry run' reviews in accordance with timescales prescribed by the Scottish Government. The revised timescales are set out in the table below.

	Presented for review	Completion of dry-run review
Opening 2008 IFRS based balance sheet	28 November 2008	28 February 2009
2008-09 shadow IFRS based financial statements	30 November 2009	30 November 2009

As a result of the review of opening balances a report was issued to management highlighting the work done, our findings and areas for further work by management. Our work was undertaken in accordance with guidance included in Audit Scotland's note for guidance 2008/6: *Auditors' role in the implementation of international financial reporting standards*. We have highlighted as part of the work performed that management should consider to detailed revisions to accounting policies as part of the restatement of the 2008-09 annual accounts. We also recommended the development of an internal timetable for the preparation of notes and disclosures is prepared in order to ensure timely preparation of the shadow IFReM annual accounts in 2008-09.

Our work on the 2008-09 shadow IFReM based annual accounts will be performed as part of our 2009-10 audit. Management currently anticipate that these will be available to us by 30 September 2009, with work undertaken by 30 November 2009.

COPFS met its financial targets. The total reportable spend for 2008-09 includes revenue spend of £102.87 million and capital spend of £5.12 million. This represents a total underspend of £2.14 million when compared with funding for the year of £110.13 million. The underspend for the year reflects COPFS's commitment per the Spring Budget revision to return £1.3 million revenue funding and £0.8 million capital funding towards the Scottish Government's overall financial position.

The approved 2009-10 budget amounts to £118.70 million, including a revenue allocation of £112 million and a capital allocation of £6.70 million.

Management have implemented robust budget monitoring procedures and have further strengthened these in 2008-09 through a review of the business planning process and acceleration of the business planning timetable for 2009-10.

Management is in the process of preparing the final report on achievement of 2008-09 efficiency targets and expects the final outturn to be in line with the targeted savings of £2.32 million.

Management launched the COPFS people strategy during 2008-09 to reflect management's commitment to taking action to improve performance, provide a rewarding career for its staff, and ensure that COPFS is an employer of choice.

COPFS has robust arrangements to ensure compliance is embedded into operational processes for implementing legislative and regulatory requirements in a timely manner. There is also clear and appropriate focus in improving business processes. The strategy and delivery division own the business requirements and filter requests prior to passing them to the information systems division for development. This could be enhanced by implementing key performance indicators to measure the level of service delivered by the information systems division during program changes and developments.

We have considered COPFS's IT controls and, from review of associated supporting evidence, we have concluded that the design, implementation and operating effectiveness of these controls is effective, subject to minor weaknesses to be reported to management.

Management have implemented informal arrangements for the consideration of Audit Scotland national reports. Where deemed appropriate, the report will be discussed with relevant personnel and a action plan developed to put in place the study's recommendations.

Recommendations

We did not identify any significant recommendations for development of COPFS's arrangements to manage the use of resources.

Financial management

Financial position

Performance against financial targets was as follows:

£'million	Allocation	Original forecast spend (June 2008)	Actual spend	Underspend
Revenue	104.23	102.99	102.87	1.36
Capital	5.90	5.84	5.12	0.78
Total	110.13	108.83	107.99	2.14

The total reportable spend for 2008-09, including capital and revenue, is £107.99 million which is a net underspend of £2.14 million when compared with funding for the year of £110.13 million.

The underspend for the year reflects COPFS commitment per the Spring Budget revision to return £1.3 million revenue funding and £0.8 million capital funding to the Scottish Government. In order to ensure that the financial planning process took into account this target underspend, management revised the budget for 2008-09 in December 2008. The tables below shows the revised allocations and movements contributing towards the overall results for the year against management's revised expectations.

Revenue			
Movement	£'million	Movement	£'million
Forecast outturn June 2008	0.81	Revised forecast outturn (December 2008)	2.24
Decrease in forecast staffing costs	1.49	Movement in final staffing costs	(0.40)
Increase in forecast office and administration costs	(0.36)	Movement in final office and administration costs	(0.23)
Increase in forecast case related costs	(0.30)	Movement in final case related costs	(0.08)
Decrease in forecast centrally managed expenditure	0.20	Movement in final centrally managed expenditure	(0.26)
Autumn budget revision (Proceeds Of Crime Act funding)	0.4	Movement in final operating income applied	0.09
Revised forecast outturn (December 2008)	2.24	Outturn per final accounts	1.36
Capital			
Movement	£'million	Movement	£'million
Forecast outturn June 2008	0.06	Revised forecast outturn (December 2008)	0.76
Revision to estates planned capital expenditure	0.71	Movement in final estates capital expenditure	(0.19)
Revision to IT planned capital expenditure	(0.01)	Movement in final IT capital expenditure	0.21
Revised forecast outturn (December 2008)	0.76	Outturn per final accounts	0.78

Financial management (continued)

Financial management and budgetary control

A financial report is presented to the management board quarterly and corporate issues sub-group each month. This report includes a narrative overview, assessment of key financial risks and a budget review which presents actual/forecast figures against budget for the year-to-date and the full year forecast. Any significant variances are highlighted as "health warnings", with actions identified to address these issues.

COPFS finance division has issued appropriate guidance to staff involved in the budget setting process. This includes budget management guidance and the COPFS finance manual which are available through the COPFS intranet.

In April 2008 management reviewed the business planning process and agreed to accelerate the business planning timetable for 2009-10 in order to strengthen the budget setting process for future financial years. A deadline for the preparation of the business planning process was set for 31 December 2008 and this has been achieved.

Efficiency savings

Target efficiency savings for 2008-09 under the efficient government initiative were £2.32 million.

Management have implemented an efficiency delivery plan which has identified three key programmes to be delivered to achieve target savings. These consist of:

Programme ¹	2008-09 target	2009-10 target
<p>Reform of Summary Justice System</p> <p>More efficient disposal of cases by making increased use of alternatives to prosecution and by trying some cases in lower level courts eg. cases previously held in sheriff courts may be heard in district courts, at lower cost.</p>	£1.92 million savings	£3.7 million savings
<p>Future office system: Phase 2</p> <p>The future office system project is a case management system that is designed to record the main business process of case marking, case tracking and disposal across all COPFS activities. The first phase covered initial case marking and the second phase extends to full case processing for summary cases.</p>	£0.3 million savings	£0.3 million savings
<p>Process review and reengineering</p> <p>The review, and where desirable, reengineering of processes e.g. a review of the processes for delivering staff training has led to the establishment and full utilisation of the Scottish Prosecution College (leading to savings as courses are run more cost effectively) and the development of e-learning, which will further reduce travel and trainer costs. In addition, further cost savings are envisaged through greater use of video conferencing and ongoing development of other business processes.</p>	£0.1 million savings	£0.1 million savings

¹ Extracts taken from COPFS's efficiency delivery plan 2008-11 return submitted to the Scottish Government efficient government team.

Financial management (continued)

Efficiency plans are considered by the management board. The efficient government targets were agreed and have been discussed by either the management board or area fiscals group. There is also monthly consideration of summary justice reform and the impact it is having on services provided. Responsibility for each programme has been clearly assigned, with an individual plan prepared for each programme detailing arrangements for monitoring, measurement reporting and associated costs of each efficiency saving activity.

Management is in the process of preparing the final report on achievement of 2008-09 targets and expects the final outturn to be in line with the anticipated efficiency savings for 2008-09 reported by the Scottish Government efficient government team in December 2008 of £2.32 million.

Arrangements to achieve Best Value through efficiency savings

In December 2006 Audit Scotland published a progress report of achievements made under the 2004 efficient government initiative. The report reviewed the progress of implementation of the initiative and the extent to which reported efficiency gains were based on robust processes and information. Audit Scotland's current programme of performance audits sets out the intention to undertake a review of the delivery of efficiencies within the public sector. This study will provide an overview of the 2005-08 programme and reported savings. It will also consider how well prepared public bodies are to deliver the 2% efficiency target set in the Scottish Government's 2007 spending review and highlight good practice and areas for improvement.

Audit Scotland approached us in February 2009 and requested assistance in completing the fieldwork for the study in relation to a sample of our clients, including COPFS, selected for inclusion in their study. We will shortly submit our report to the audit committee on the adequacy of existing arrangements and have highlighted a number of strengths and areas for enhancement including:

Strengths

- the role of chief of strategic delivery, which ensures there is a senior officer accountable for the delivery of efficiencies;
- the 'health check' and supporting documentation, which allows management to assess performance against key targets;
- area innovations papers identify and share best practice and are submitted to the area fiscals group on a quarterly basis;
- arrangements with partner organisations to facilitate discussion on how working arrangements can be more effective across the justice system; and
- at an operational level, process reviews identify ways in which routine processes can be made more efficient.

Areas for enhancement

- demonstrate how and where freed-up resources are used elsewhere to implement new initiatives; and
- increase focus and develop a formal and consistent mechanism to demonstrate how quality is maintained when meeting quantitative targets.

COPFS has robust arrangements to measure and report quantitative performance, supported, in some areas, by consideration of qualitative measures. There is a clear and appropriate focus on business process improvement, rather than cost cutting, which should be enhanced by demonstrating the benefits through implementation of new initiatives.

Management arrangements

Financial planning

The 2009-10 budget, as approved by the Scottish Parliament, amounts to £118.70 million, including a revenue allocation of £112 million and a capital allocation of £6.70 million. This represents an increase of 7.4% in the revenue budget and 27.1% increase in the capital budget. The allocation for solemn cases (the prosecution of serious, complex and organised crime) has increased by £7.1 million (15.6%), victim information and advice services allocation has increased by £0.4 million (14.8%), non-court allocation has increased by £1.5 million (9.4%) offset by a decrease of £0.70 million (14%) in the budget for investigation of deaths. The main increase in funding for prosecution of solemn cases reflects the upward trend in the number of serious crimes reported in recent years.

Achievement of the business plan in 2009-10 will be challenging due to the impact of ongoing summary justice reforms. Management will seek to ensure that resources are released as required and efficiency savings are correctly reallocated during 2009-10 to meet the increase in priorities identified as necessary to deal with serious crime and in further meeting the needs of communities across Scotland.

Workforce management

Management launched the COPFS people strategy during 2008-09 to reflect management's commitment to taking action to improve performance, provide a rewarding career for staff, and to ensure that COPFS is an employer of choice. The strategy focuses on leading and managing, developing and learning, improving performance, communication, pay and reward, and diversity. A people strategy action group was formed to oversee the implementation of the strategy and to ensure the realisation of its outlined commitments.

Following the implementation of the people strategy, COPFS will present itself for review for re-accreditation in November 2009 for the *Investor in People* standard. COPFS was first accredited as an Investor in People in 1996 and has been through subsequent assessment three times, with the last re-accreditation in November 2006.

COPFS launched a revised performance management system for employees in April 2008. It applies to all staff, with the exception of Senior Civil Service staff for whom the Cabinet Office sets a national system.

The performance measurement system, and overall marking awarded to employees, is based upon the assessment of the achievement of activities and competencies required of the position held and the achievement of agreed specific objectives. Staff pay is directly linked to the overall marking awarded at the end of each reporting year, which runs from 1 April to 31 March. A competency framework is available to staff through COPFS's intranet to provide guidance on the level that should be achieved at each job grade.

Asset management

In 2007-08 we highlighted to management that a review was required of COPFS's capitalisation policy in relation to estates. There was evidence that items capitalised during the year were not providing actual economic value and were therefore required to be written off rather than being capitalised.

With the assistance of a chartered surveyor, management carried out an independent review of all land and buildings revalued at 31 March 2009 and identified two properties, Dumfries and Dumbarton where additions in the year were not seen to be providing any additional economic value to the properties. All such additions were written off rather than being capitalised in line with our recommendation from 2007-08.

Management arrangements (continued)

COPFS's estates department has a defined business plans in place for the planning and monitoring of capital projects. The 2009-10 plan has been prepared and approved by management and includes a number of planned refurbishments and relocation of offices, including the refurbishment of the accommodation at Chambers Street, Edinburgh and the possible relocation of the Jedburgh Procurator Fiscal office to an alternative, local site.

Management have also considered Audit Scotland's national study "Improving energy efficiency" and are currently undertaking review work with the Carbon Trust and intend to consider this study further as discussions progress.

Procurement

Procurement by COPFS is required to be carried out in line with Scottish Government procurement guidance. During 2008-09 COPFS paid 97.3% of invoices within the terms of its payment policy.

Information management

We have considered how COPFS is performing in relation to five key themes of high quality effective information management: information governance and leadership; information for decision-making; service delivery; compliance and control; and knowledge management.

We identified a number of strengths in current arrangements, including:

- a clear understanding of roles and responsibilities between management board, non-executives, and senior management where responsibilities are clearly set out and put into practice;
- engaging senior staff in information management issues, with discussions taking place regularly during board and area business manager meetings;
- robust arrangements through which the strategic plan links to business process objectives and activities;
- mature data sharing arrangements and methodologies through *Integration of Scottish Criminal Justice Information Systems* and the Legal Information Network in Scotland; and
- evidence that the right information (both performance and management information) is getting to the right people when required.

Areas for enhancement are based on the need to:

- demonstrate that information processes are clearly aligned by devising an information strategy;
- develop preventative control measures to avoid security breaches through unauthorised access to sensitive case information;
- align lower level plans in line with the overall strategic plan to ensure coordination with the organisation's business objectives; and
- streamline the intranet, including the knowledge bank, by improving access to information to ensure effective service delivery and knowledge management.

COPFS has robust arrangements to ensure compliance is embedded into operational processes for implementing legislative and regulatory requirements in a timely manner. There is also clear and appropriate focus in improving business processes. The strategic department division own the business requirements and filter requests prior to passing them to the information systems division for development. This could be enhanced by implementing key performance indicators to measure the level of service delivered by the information systems division during program changes and developments.

Management arrangements (continued)

As the external auditors of COPFS, we review those systems of internal control that may be considered to be material in relation to the opinion on the financial statements. We therefore conducted an IT general controls review of key financial systems in April 2009 in order to evaluate whether these IT controls were appropriately designed and were operating effectively. The results of the review provide management with an assessment of the general IT control environment underpinning the key financial systems, the risks associated to any deficiencies identified and recommendations on how these can be mitigated going forward.

We will shortly submit our report for consideration by the audit committee. Where required or appropriate, as a result of these findings, we have amended the extent of audit procedures required as part of our substantive audit work on the accounts.

General IT controls reviews were undertaken for the following in-scope systems:

- SUN Accounts; and
- Kypera payment management system.

As per the agreed approach, a general IT controls review was performed across the key financial systems covering the following specific areas:

- access to programs and data;
- program changes;
- program development; and
- computer operations

Based on our consideration of IT controls, the above areas, and associated supporting evidence, the design, implementation and operating effectiveness of these controls is effective, subject to minor recommendations to be reported.

Partnership working

COPFS works closely with a number of partner organisations, such as councils, police bodies and the Scottish Court Service, to ensure effective and efficient service delivery. COPFS and police activities are complementary, and regular dialogue and co-operation enables problems and issues to be dealt with efficiently and effectively.

The Procurator Fiscal has an investigative role and is able to provide instructions and directions to the police in connection with their investigations. This is relevant to serious cases, where the police work very closely with the Procurator Fiscal. In cases of sudden, suspicious and unexplained deaths, the Procurator Fiscal has responsibility during the early stages of the investigation to arrange a post mortem examination by forensic pathologists.

The Scottish Prosecution College has assisted in the delivery of training for summary justice reform. The police and Scottish Prosecution College have been and will continue to be an integral part of the summary justice reform process, identified by management as a key programme for the achievement of savings under the efficient government initiative.

Governance and accountability

The statement on internal control does not disclose any significant weaknesses. The content of the statement is consistent with our understanding of COPFS.

Our testing, combined with that of internal audit, of the design and operation of controls over significant risk points confirms that, with the exception of some minor recommendations raised in our interim report over cash payments, controls are designed appropriately and operating effectively.

COPFS has implemented recommendations from the internal report concluded in January 2008, "review of senior structures in the Crown Office and Procurator Fiscal Service" commissioned by the Crown Agent and Chief Executive.

Internal audit completed their plan for the year with the exception of three reports that have been agreed with management to be undertaken in 2009-10. Internal audit concluded that "on the basis of the work undertaken, the results of the work undertaken and the action taken in response to our findings, we are able to provide substantial assurance in respect of COPFS's risk management, control and governance arrangements."

COPFS has an underlying diversity structure which provides a framework for the consideration of equality and diversity issues and has assisted in the preparation of equality action plans which are a part of the Scottish Government's Equality Schemes.

There is a formal fraud policy in place at COPFS.

There is no formal procedure around receiving and reviewing Audit Scotland national reports.

Recommendations

We did not identify any significant recommendations for development in governance and accountability arrangements.

Corporate governance arrangements

Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all bodies.

The Crown Agent, as accountable officer, is responsible for establishing arrangements for ensuring the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. The *Code* requires auditors to review and report on corporate governance arrangements as they relate to:

- COPFS reviews of its systems of internal control, including its reporting arrangements;
- the prevention and detection of fraud and irregularity; and
- standards of conduct and arrangements for the prevention and detection of corruption.

Governance framework

In January 2008 a “review of senior structures in the Crown Office and Procurator Fiscal Service” commissioned by the Crown Agent and Chief Executive was concluded and reported. The purpose of this review was to consider whether the structures, roles and responsibilities at management board and area fiscal level remained fit for purpose and appropriately balanced against the challenges faced by COPFS and to make recommendations for improvements as appropriate. The review made a number of recommendations which have now been implemented.

As part of COPFS’s response to recommendations from this report, a corporate issues sub-group (“CISG”) was formed and began monthly meetings in August 2008. This group is in addition to the standing governance groups consisting of the management board and area fiscals group and is charged with the consideration of corporate business and strategic issues.

COPFS has a risk management system in place. The management board has overall responsibility for risk management strategy, with ownership of risk management at directorate and fiscal area level devolved to the area fiscals group. The corporate risk register is updated quarterly by a designated senior risk owner before being submitted to the area fiscals group, audit committee and the management board. This provides evidence that that identified risks are reviewed and monitored on a regular basis and revised as necessary.

We considered the corporate governance arrangements and concluded that the corporate governance framework has been designed and implemented appropriately.

Internal audit

Our planned audit approach seeks, wherever possible, to place reliance on the work completed by internal audit to minimise duplication of effort and ensure maximum benefit from the combined audit resource. To support this, in accordance with International Standard on Auditing 610, we have therefore again undertaken a formal evaluation of COPFS’s internal audit function. Our evaluation incorporates consideration of both the organisational and operational aspects of the internal audit function, including the scope of internal audit work, the independence of the internal audit function, arrangements to secure due professional care and quality of work performed and reporting mechanisms.

Corporate governance arrangements (continued)

Internal audit's annual plan for 2008-09 consisted of 16 main risk-based audits and three follow up reviews. Thirteen of the 16 internal audits were carried out in 2008-09, with the remaining deferred until 2009-10. There were no significant factors contributing to the delay in these planned audits and their deferral was a result of revised schedules agreed with management.

As in 2007-08, we have concluded that we are able to place formal reliance on the findings of internal audit, in particular in relation to the programme of area office visits which are undertaken to provide assurance over the operation of controls across individual offices.

On 14 May 2009 the audit committee received internal audit's annual report, which concluded that *"on the basis of the work undertaken, the results of the work undertaken and the action taken in response to our findings, we are able to provide substantial assurance in respect of COPFS's risk management, control and governance arrangements."*

Internal controls

Our testing, combined with that of internal audit, of the design and operation of controls over significant risk points confirms that, with the exception of some minor recommendations raised in our interim report over cash payments, controls are designed appropriately and operating effectively.

The statement on internal control provides details of the purpose of the system of internal control, the risk and control framework and the effectiveness of this framework. The statement complies with the Scottish Government's guidance.

Equality and diversity

As a public body, COPFS is legally required to be proactive in pursuit of equality in relation to race, disability and gender. COPFS has an underlying diversity structure which provides a framework for the consideration of equality and diversity issues and has assisted in the preparation of equality action plans which are a part of the Scottish Government's equality schemes. These action plans include disability, gender and race equality and are available to all staff through COPFS's intranet.

The COPFS diversity strategy also outlines COPFS's commitment to the promotion of equality across all of its operating areas, locally and nationally, and outlines its diversity proofing process which provides management with information for the equality impact assessment of policies and practice.

Prevention and detection of fraud and irregularity

COPFS has an anti-fraud and corruption strategy which includes reference to a number of internal rules and procedures designed to ensure that financial, operational and organisational procedures are properly controlled. The strategy includes a fraud response plan to be implemented where suspicions of fraud or corruption have been raised. Where management are made aware of a suspected fraud, the internal fraud response group is convened to co-ordinate an investigation. Membership of this group includes the deputy chief executive, the head of internal audit, a senior civil servant such as an area procurator fiscal, and the director of finance and/or the departmental counter fraud specialist. The fraud response group is responsible for undertaking preliminary investigations, reporting to those charged with governance and proceeding with a follow up investigation if required. Upon conclusion of the investigation, it is the responsibility of the group to decide what further action is necessary, such as disciplinary action or making a report to the police. The group is also responsible for ensuring that all agreed actions are implemented.

We have obtained representations from the accountable officer that all known or suspected instances of fraud were disclosed to us during the audit. There were no material instances of fraud reported during 2008-09.

Audit Scotland national reports

Audit Scotland periodically undertakes national studies on topics relevant to the performance of central government bodies. While the recommendations from some of the studies may have a national application, elements of the recommendations are also capable of implementation at local level, as appropriate.

Where deemed appropriate, the report will be discussed by relevant personnel at COPFS and an action plan developed to put in place the study's recommendations. It is recommended that formal procedures are established to consider these studies at appropriate committee meetings. In addition, a self-assessment and action plan should be completed, where deemed relevant, to demonstrate local commitment in actioning relevant findings. We submitted short returns to Audit Scotland in February and July 2009 on COPFS's responses and have summarised the reports applicable to COPFS below.

Report topic (issue date)	Discussed by a committee	Noted by a committee	Self-assessment performed	Local action plan prepared	Plans to feed back to a committee	Frequency of feedback
Improving energy efficiency (December 2008)	x	x	x	x	n/a	n/a
Central government's use of consultancy services (January 2009)	x	x	x	x	n/a	n/a

The above reports were reviewed by the deputy chief executive during 2008-09. It is planned for a review of the report "Improving energy efficiency" to be carried out as review work being carried out with the Carbon Trust. The remaining report is not deemed by management to be relevant to COPFS given the limited use of consultants by the service.

COPFS has implemented effective arrangements for the review and reporting of key performance indicators to management. Quality control procedures are in place to assess the quality of information provided by its various offices across Scotland.

COPFS exceeded all key performance indicators set by the Scottish Ministers for 2008-09.

A wide range of information including management board minutes and performance reporting documents are available through the COPFS's external website to assist in the reporting of performance and key issues to the public.

Recommendations

We did not identify any significant recommendations for development in performance management arrangements.

Performance management arrangements

Performance is monitored on an ongoing basis at all levels of management within COPFS. Performance statistics are collated and reported on monthly to the management board and also published quarterly on a service wide basis. Budget reports are also submitted to the corporate issues sub-group each month and to the management board quarterly.

The management board is responsible for meeting key performance indicators. Performance against targets is reported in on a monthly basis to the management board. In addition, COPFS produces a monthly 'Health check' report, which provides a summary of management information combining a "snapshot" of work in progress and a high level summary of performance against targets.

The information for these reports is collated on a monthly basis, with data being extracted from the monthly statistics reports from COPFS's operational offices throughout Scotland. The 'Health check' report provides a 'snapshot' of the position as at the date when the data is extracted. All performance information collated throughout 2008-09 is then used to summarise each offices' individual performance against targets.

On a monthly basis the quality of data received from the operational offices is reviewed and evaluated. Data is graded as either good, scope for reduction or work required on data quality. Where there are issues detected with data quality, this is reported back to the operational office, who are charged with the responsibility of reviewing COPFS's 'housekeeping' manual to ensure that all data processing is being carried out in line with COPFS's underlying procedures. All operational offices are also requested to ensure staff making errors are trained properly.

As part of our audit fieldwork we reviewed the data quality report for 2008-09. On a month to month basis where data quality was marked as either scope for reduction or work required on data quality, there was evidence of a continuous reduction in the score through the year, showing continual improvement, and providing evidence that feedback on quality issues is addressed throughout the year.

Performance against targets in 2008-09

For 2008-09, COPFS exceeded all key performance indicators set by the Scottish Ministers. A summary and description of COPFS's performance targets for 2008-09 and reported results can be found at Appendix 1.

Public performance reporting

COPFS has published copies of management information including business plans, key performance indicator statistics, case processing the annual report and the annual accounts on its external website. Management board and area fiscal group meeting minutes are also available from the website. The external website has a dedicated publications section, which provides public access to a range of reports and guidance documents in relation to key issues considered by COPFS during its operations. This section also provides links to the aforementioned management information.

Stakeholder engagement and consultation

COPFS is committed to communicating with its employees and does this by means of office circulars, in-house newsletters, COPFS's intranet, and regular team briefings. The external website provides the general public with the opportunity to provide feedback on the service provided by COPFS. A 'have your say' leaflet has been prepared and issued through the website which assists in the recording and submission of queries, compliments and complaints received from the public and is governed by COPFS's customer feedback policy which is displayed alongside the leaflet.

Appendix one – 2008-09 performance against targets

Target	2008-09 Actual	2008-09 Target	Achieved
<p>Take and implement decisions</p> <p>Take a decision on the appropriate course of action and implement that decision in at least 75% of cases within four weeks of the date on which the report is received from the reporting agency. (NB: This target applies to all cases except those which are likely to be dealt with under solemn procedure i.e. the more serious cases, where the case is likely to be dealt with in the High Court or in the Sheriff Court before a Jury.)</p>	82% within 4 weeks	75% within 4 weeks	✓
<p>Disposal of summary cases</p> <p>For cases marked for proceedings in Summary Courts, 68% of cases to be disposed of within 26 weeks - i.e. the time interval between the earliest caution and charge date for any accused in the case and the latest verdict date for any accused should be 26 weeks or less in at least 68% of Summary cases. (This target is a joint target with the justice portfolio.)</p>	74% within 26 weeks	68% within 26 weeks (by 2011)	✓
<p>Service of indictments: High Court cases</p> <p>For High Court cases where the accused is on bail, 80% of indictments are to be served within 9 months of the accused's first appearance on petition.</p>	89% within 9 months	80% within 9 months	✓
<p>Service of indictments: Sheriff and Jury cases</p> <p>For Sheriff and Jury cases where the accused is on bail, 80% of indictments are to be served within eight months of the accused's first appearance on petition.</p>	83% within 8 months	80% within 8 months	✓
<p>Investigation of deaths</p> <p>For deaths which require further investigation, investigations should be conducted with next of kin advised of the outcome within 12 weeks in at least 80% of cases.</p>	86% within 12 weeks	80% within 12 weeks	✓
<p>Investigation of complaints against the Police</p> <p>The Investigation of complaints of criminal conduct by police officers and advise the complainer of the outcome is to be completed within 12 weeks of the date on which the report is received in at least 90% of cases.</p>	92% within 12 weeks	90% within 12 weeks	✓