



HENDERSON LOGGIE

Grampian Joint Police Board

**Report to Members and the
Controller of Audit**

2008/09

External Audit Report No: 2009/04

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Restriction on Use

This report has been prepared in accordance with our responsibilities under International Standards on Auditing and Audit Scotland's *Code of Audit Practice* for the audit of Grampian Joint Police Board's financial statements. Our audit does not necessarily disclose every weakness and for this reason the matters referred to in this report may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Grampian Joint Police Board and their Stewardship Sub-Committee and will be shared with the Accounts Commission and Audit Scotland; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.



Executive Summary

1.1 Financial

- 1.1.1 The audit of the 2008/09 financial statements has been completed within the timescale advised by Audit Scotland.
- 1.1.2 Our opinion on the financial statements is qualified due to a disagreement of accounting treatment in respect of FRS17 Retirement Benefits pension costs for the new Police Pensions Scheme. Except for the financial effect on the General Reserve and the Pension Reserve of this matter, the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the Board and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.
- 1.1.3 On 17 September 2009 we issued to the Board's Stewardship Sub-Committee our audit report no. 2009/03, **Report to those charged with Governance on the Audit of Grampian Joint Police Board**. The report provides audit comment on the key issues and audit opinion arising from the audit of the financial statements and of the financial system of internal control.
- 1.1.4 The Board's Income and Expenditure Account shows a deficit for the year of £38.364 million. After adjusting for amounts required by statute and non-statutory proper accounting practices to be debited or credited to the General Fund Balance, the Board reported a decrease in the General Fund Balance for the year of £74,000.
- 1.1.5 We are pleased to report that there are no recommendations or action plan arising from this year's audit.

1.2 Governance

- 1.2.1 Members of the Board and the Stewardship Sub-Committee are drawn from the three constituent authorities. The Board and the Stewardship Sub-Committee met regularly during 2008/09.
- 1.2.2 The Board is responsible for a number of key aspects including budget setting, appointment of chief officers and scrutiny and challenge of Force performance. Officers provide the Board and the Stewardship Sub-Committee with reports and statistical data to enable Members to make informed decisions and to raise challenges where appropriate.

1.3 Performance

- 1.3.1 Strategic planning is set out in the Force's three-year plan "Platform for Success", which is updated on an annual basis. Under the leadership of the Force Executive the Business Area Management Teams are involved in on-going performance management.
- 1.3.2 The Force has contributed to the implementation of the Single Outcome Agreements (SOA's) across the three local authority areas within Grampian.
- 1.3.3 The Force has carried out work on various topics including the use of technology to improve productivity, joint working with partners and improving organisational and management practices. Reported cash releasing efficiency savings for 2008/09 are £2.461 million which is significantly greater than the target of £1.675 million.
- 1.3.4 The 2008/09 return to Audit Scotland for SPIs was made by the 31 August 2009 deadline. We concluded that the systems in operation for the production and publication of the SPIs were reliable for all indicators.



Introduction

2.1 Introduction

- 2.1.1 We are pleased to submit our fifth annual report covering significant matters arising during the course of our audit of Grampian Joint Police Board (the Board) for the year ended 31 March 2009.
- 2.1.2 The framework under which we operate under appointment by Audit Scotland is as outlined in our *Risk Assessment, Annual Plan and Fee Proposal for 2008/09 (Report 2009/01 issued on 28 January 2009)*. The respective responsibilities of Board members and auditors are set out in Appendix I to this report.
- 2.1.3 Broadly the scope of our audit was to:
- provide an opinion on the financial statements in accordance with relevant legal and regulatory requirements and international standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission;
 - review and report on the Board's corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, prevention and detection of corruption, and the Board's financial position;
 - review and report on the Board's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources and in securing Best Value; and
 - review and report on whether the Board has made adequate arrangements for collecting, recording and publishing prescribed performance information.
- 2.1.4 Our audit approach focused on the identification of strategic business risks and operational and financial risks impacting on the Board.

2.2 Audit Activity and Reporting

- 2.2.1 As part of our overall planning approach to the Board's annual audit we carried out a review of the key risks, national and local, facing the Board and reported how we would continue to monitor them during the year through attendance at Board and sub-committee meetings, review of minutes and discussions with officers. The main risks were reported in our annual plan and where appropriate we have included an update on these risks in this report. To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management and staff. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.
- 2.2.2 In accordance with our annual plan we reviewed the Board's key internal controls and have raised some issues during the course of our audit including matters highlighted in our *Financial Statements Audit Plan, Report 2009/02* issued on 29 May 2009 and our *Report to those charged with Governance on the Audit of Grampian Joint Police Board, Report 2009/03* issued on 17 September 2009.
- 2.2.3 We take this opportunity to remind you that external auditors do not act as a substitute for the Board's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used efficiently, economically and effectively.

2.3 Acknowledgement

- 2.3.1 Our audit has brought us in contact with a wide range of staff within the Board. We would like to take this opportunity to place on record our appreciation of the co-operation and assistance extended to us by staff in the discharge of our duties.



3.1 Audit Completion and ISA 260 Report

- 3.1.1 We are pleased to report that the target date of 30 September 2009 for the audit completion and certification of the annual accounts was met.
- 3.1.2 In accordance with International Standard on Auditing (ISA) 260 we issued our *Report to those Charged with Governance on the Audit of Grampian Joint Police Board* (Report 2009/03, issued on 17 September 2009), which was discussed with the Convenor of the Stewardship Sub-Committee on 16 September 2009. The report included our proposed audit certificate and detailed the agreed adjustments to the draft accounts arising from the audit.

3.2 Accounts Certification

- 3.2.1 On 17 September we issued our audit report expressing a qualified opinion on the financial statements of the Board for the year ended 31 March 2009.
- 3.2.2 We have qualified our audit opinion on the basis of a disagreement of accounting treatment relating to FRS17 based costs. Proper accounting practice requires Boards to make a charge to the Income and Expenditure Account for pension costs based on FRS17 Retirement Benefits. The Local Government Pension Reserve Fund (Scotland) Regulations 2003 (the 2003 Regulations) provide the statutory basis for Boards to remove FRS17 based costs from being a charge to the General Reserve so that only the actual pension payments are charged to that fund. However, while the 2003 Regulations apply to the main pension scheme for officers, they do not currently apply to the new pension scheme established with effect from 6 April 2006 by The Police Pensions (Scotland) Regulations 2007.

- 3.2.3 Although the Scottish Government intend amending the regulations to include this new scheme, there is no statutory basis for removing the FRS17 based costs from the General Reserve in respect of the new scheme at the date these financial statements were authorised for issue. However, the Board has removed FRS17 based costs amounting to £2.475 million in 2008/09 and £1.550 million in 2007/08 from being a charge to the General Reserve, which means the balance on that fund at 31 March 2009 is overstated by £4.025 million.

- 3.2.4 We set out below a summary of the audit certification issues:

- ❑ Except for the financial effect on the General Reserve and Pension Reserve of the matter referred to in the preceding paragraph, the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of Grampian Joint Police Board as at 31 March 2009 and its income and expenditure for the year then ended;
- ❑ the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973; and
- ❑ the Statement on the System of Internal Financial Control complies with the SORP. We were not required to consider whether the statement covers all risk and controls or form an opinion on the effectiveness of the Board's corporate governance and risk and control procedures.

3.3 Audit Adjustments

- 3.3.1 Two significant audit adjustments were identified during the course of our audit of the financial statements. The Board agreed to adjust the accounts for these. Definitions of material, significant and trivial are provided at Appendix II.
- 3.3.2 The net effect of the agreed adjustments on the Income and Expenditure Account for 2008/09 was £112,000, decreasing the deficit reported in the draft accounts of £38.476 million to £38.364 million in the final accounts. There was no effect on the General Fund Balance.
- 3.3.3 Details of these adjustments were highlighted in our *Report to those charged with governance on the Audit of Grampian Joint Police Board*, which was issued to the Deputy Director of Corporate Services and was discussed with the Convenor of the Stewardship Sub-Committee on 17 September 2009.

3.4 Financial Position

- 3.4.1 The Board's net operating expenditure of £147.110 million exceeded the income from government grants and constituent authorities' contributions, resulting in a deficit for the year of £38.364 million reported in the Income and Expenditure Account.
- 3.4.2 This reported deficit is carried into the Statement of Movement on the General Fund Balance and is then adjusted for items required by statute and non-statutory proper practices to be credited to the General Fund of £38.290 million. This results in a decrease in the General Fund Balance of £74,000 for the year, decreasing the General Fund Balance carried forward to £3.514 million as at 31 March 2009.

- 3.4.3 Details of the adjustments made are reported in the notes to the accounts in note 34 on page 64. These adjustments are due to the Board being required to consider funding elements of expenditure on a different accounting basis, including capital investment which is accounted for as it is financed rather than when the fixed assets are consumed, and retirement benefits that are charged as amounts which become payable to pension funds, and pensioners, rather than as future benefits earned.
- 3.4.4 The support staff pay and grading structure is currently subject to review and a provision of £0.873 million has been made for any changes that may result. This is limited to the period from 2007 to 2009.
- 3.4.5 The Scottish Police Service Authority (SPSA) was fully brought into operation on 1 April 2007. Forensic Services were transferred from the Force to the SPSA on 1 April 2007, with all staff and assets being transferred. The ICT function was then transferred on 1 April 2008, however, currently only the staff have transferred, with the assets remaining with the Force. These have been disclosed as discontinuing operations within the Income and Expenditure account in 2007/08. An Agency Agreement was due to be put in place to allow the SPSA to purchase directly all ICT goods and services on behalf of the Force, however, this was delayed and will now be concluded in 2009/10. In the interim, the Force has continued to purchase ICT goods and services, and is being compensated by the equivalent amount by way of additional grant income from the Scottish Government.

3.5 Financial Performance

3.5.1 Financial performance is measured against the financial budget set by the Board in January 2008 for 2008/09. In this regard the Board reported a small overspend for the financial year of £74,000 against a budgeted overspend of £0.320million.

3.5.2 There were a number of factors which contributed to the overall variance including:

- ❑ employee costs exceeded budget, mainly due to the backdated commutation lump sum payments, which were not included in the budget. As the Force will receive funding from the Scottish Government for these payments, there is no impact on the overall position;
- ❑ increasing charges for utilities resulted in an overspend against the property budget;
- ❑ there was a significant overspend against the ICT related budgets managed by the SPSA, however as these costs will be recovered from the Scottish Government (see para 3.4.5), there is no impact on the overall position; and
- ❑ the level of income from the Scottish Government is greater than budget due to the ICT costs and the additional backdated commutations lump sum payments referred to above.

3.5.3 This outcome was achieved through close monitoring by both the Finance team and the Budget Holders throughout the year.

3.6 Pensions

3.6.1 The Board accounts for two defined benefit pension schemes; the Local Government Superannuation Scheme, administered by Aberdeen City Council, and the Uniformed Police Services Schemes. In accordance with FRS17 reporting requirements the estimated pension liabilities provided by the Actuary at 31 March 2009 exceeded its share of assets in both schemes.

Table 1 – Pension liabilities

Estimated pension liabilities	2007/08	2008/09	Movement
Pension Scheme	£m	£m	£m
Local Government	16.542	15.848	0.694
Police	585.585	480.611	104.974
Pension liabilities at			
31 March 2009	<u>602.127</u>	<u>496.459</u>	<u>105.668</u>

3.6.2 Changes in actuarial assumptions have led to a reduction in the estimated liability at 31 March 2009. In particular, the financial assumptions used are less conservative than those used at 31 March 2008, driven by the yields on corporate bonds rising and inflation expectations falling during the year.

3.6.3 The Uniformed Police Officers Pension Scheme is administered for the Board by Aberdeen City Council under the relevant pension regulations and is an unfunded scheme in that there are no assets. The liabilities for the scheme represent the best estimate of the Board's future commitments to pay retirement benefits to existing pensioners and serving officers who will become pensioners in due course. The Actuary provided the valuations using similar financial assumptions to those used for the Local Government Scheme.

3.6 Pensions (cont'd)

3.6.4 The full actuarial valuation of the Aberdeen City Council Superannuation Scheme was carried out as at 31 March 2008. This highlighted a funding level of 83% and a future employer contribution rate of 19.3% of pensionable payroll, requiring an average increased employer contribution rate of 300% of employee contributions. The report recommended the following stepped increase over a three year period: 2009/10 – 19.1%, 2010/11 – 19.2% and 2011/12 – 19.3%.

3.6.5 The pension liability gives rise to a negative net assets position in the Board's Balance Sheet. This is normally seen as an indicator of a body's inability to continue as a going concern. However, as per Practice Note 10 'Audit of financial statements of Public Sector Entities in the United Kingdom' issued by the Auditing Practices Board (APB), it is not uncommon for public sector bodies to have an excess of liabilities over assets and in these circumstances auditors should consider the circumstances in which a body may cease to continue in operational existence. Given that FRS17 is concerned only with pensions accounting and does not, in itself, impact on the cash-flows or funding of the Board, the going concern basis is considered appropriate.

3.6.6 As part of the 2007 Spending Review, funding awarded to Forces to cover police officer pension costs was lower than required. For 2008/09 the pension shortfall for all Forces amounted to £17.2 million, of which Grampian Police's share was £1.143 million. The Board agreed that the Constituent Authorities would fund half of the shortfall in 2008/09 with the remaining element being found from the Force's reserves and budget reductions. The projected shortfall in funding for all Forces in 2009/10 and 2010/11 amounts to £50.9 million and £33.9 million of which Grampian Police's share is expected to be £3.039 million and £2.218 million respectively.

3.6.7 There have been a number of meetings between representatives from ACPOS and COSLA to discuss how this unfunded pension burden will be met in future years and more recently to highlight the need for urgency around this issue given the size of the shortfall and the implications for future years. These discussions are still on-going, with all parties trying to resolve the matter at a national level.

3.7 Reserves and Balances

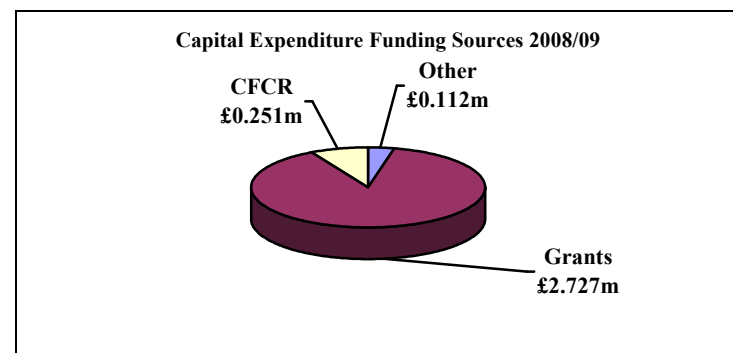
3.7.1 All Boards hold reserves which consist of earmarked amounts set aside to support future years' expenditure and contingencies for unexpected events or emergencies. At 31 March 2009 the General Reserve held by the Board totalled £3.514 million. The balance has been decreased by £74,000 in 2008/09 as a result of the small overspend against the budget for the year.

3.7.2 An amount of £1.981 million has been earmarked against the General Reserve for pension commutations for those officers eligible to retire on or before 31 March 2009 who have continued in post.

3.7.3 The remaining element of the General Reserve which has not been earmarked amounts to £1.533 million. This is well within the 5% maximum statutory threshold and the 1% minimum limit set by the Board.

3.8 Capital Expenditure and Funding

- 3.8.1 Capital expenditure is determined by the Board, based on the specific Scottish Government (SG) grant, capital receipts and Prudential borrowing, if required.
- 3.8.2 The total available funding for the capital programme was £6.051 million, made up of capital grants from the Scottish Government of £2.727 million and capital receipts of £2.961 million which included receipts brought forward from the previous year of £2.403 million, small capital grants totalling £0.112 million provided by various sponsors and capital from current revenue of £0.251 million. Unspent capital receipts of £2.961 million are available to help fund capital expenditure in 2009/10. No borrowing was required.
- 3.8.3 The Force, acting on behalf of all Scottish Forces, also received a capital grant from the Scottish Government's Efficient Government Fund of £5.378 million in 2007/08 to fund the National Platform Project. The unspent element of £2.111 million of this grant was carried forward to 2008/09 and £0.473 million of expenditure has been incurred during the year. The remaining grant of £1.638 million has been carried forward to 2009/10.
- 3.8.4 Gross capital expenditure for the year, excluding the National Platform Project, amounted to £3.090 million. Funding for the capital expenditure was made up as follows:



3.9 Capital Accounting

- 3.9.1 The main movements on Fixed Assets were additions of £3.354 million on tangible assets which included £1.211 million on vehicles, plant and equipment, £0.760 million on operational land and buildings and £1.383 million on non-operational assets under construction. Details of movements on Fixed Assets and Capital Accounting entries are disclosed in the accounts. The significant capital expenditure during the year on non-operational assets under construction included £1.383 million relating to the ACPOS Platform Project which is fully funded by the capital grant received from the Efficient Government Fund.

3.9 Capital Accounting (cont'd)

- 3.9.2 In consultation with all other Scottish Forces and Audit Scotland, it was agreed that each Force should include a share of the asset values of the national projects on their respective Balance Sheets. A transfer was therefore made between Forces, which resulted in a net transfer from Grampian of £2.960 million. The corresponding grants included in the Government Grants Deferred Account were also transferred.
- 3.9.3 The Force revalued its tangible fixed assets during the year. Revaluation gains of £4.013 million have been credited to the Revaluation Reserve, while revaluation losses of £2.401 million have been charged to the Income & Expenditure account, which is in accordance with the requirements of the SORP.
- 3.9.4 We were satisfied with the Board's capital accounting arrangements for 2008/09 and that the entries for additions and disposals were not misstated.

3.10 Financial Instruments

- 3.10.1 In accordance with the requirements of the SORP relating to financial instruments, which were first introduced in 2007/08, the Board made the appropriate disclosure requirements in the accounts.
- 3.10.2 No adjustments were required to the figures in the accounts for financial instruments.

3.11 International Financial Reporting Standards

- 3.11.1 International Financial Reporting Standards (IFRS)-based financial instrument standards were adopted in the 2007 SORP. The 2009 SORP adopts the IFRS based approach to accounting for PFI/PPP schemes from 2009/10.
- 3.11.2 An IFRS-based Code of Practice on Local Authority Accounting is currently being prepared which will replace the SORP from 2010/11, when local authorities are required to fully adopt IFRS.
- 3.11.3 Authorities will need to restate 2009/10 comparative information onto an IFRS basis, and disclose a restated 1 April 2009 IFRS-based balance sheet. Once this work has been completed, we will review the restatement work and report our findings. We encourage early completion of the restatement.

Governance

4.1 General

- 4.1.1 The Board and the Stewardship Sub-Committee met regularly during 2008/09 and both comprised members from the constituent local authorities. The Board is responsible for a number of key aspects including budget setting, appointment of chief officers and scrutiny and challenge of Force performance. We have observed the operation of the committees during the year. Members generally understand the issues they are considering and officers are held to account for implementation of recommended improvements to internal control systems. The Force Executive encourages Members to be challenging in their consideration of reports submitted to both the Board and the Stewardship Sub-Committee.
- 4.1.2 The Board updated its Financial Regulations during 2007/08 and planned to update its Standing Orders during 2008/09, however, due to resource issues this has not yet been completed. Progress with this will be followed up in due course.
- 4.1.3 In June 2007, CIPFA in association with SOLACE published the revised Framework – *Delivering Good Governance in Local Government*. This recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement. The Board has opted not to introduce this during 2008/09, however has noted in its Statement on the Systems of Financial Control that it is a matter of interest and one that will be supported by the internal reviews and assessments that are on-going. While this has not been designated as statutory proper practice, the Board should be encouraged to include an Annual Governance Statement within its statement of accounts for 2009/10.

4.2 Councillor Information

- 4.2.1 Budget monitoring information is routinely presented to the Board. Other reports to committee are made in a standard format that includes financial implications of any decision that will be made and generally make it clear what Members are asked to do in terms of noting or decision making.
- 4.2.2 Officers submit performance information to each cycle of meetings and a commentary is provided so that Members can focus on key data and trends. With the implementation of this more detailed reporting senior officers are more able to engage with Members as to performance outcomes and this makes the Board more open and accountable.

4.3 Audit Committee

- 4.3.1 The Stewardship Sub-Committee has continued to function well, considering outcomes from both internal and external audit work and information from other sources. As with meetings of the Board, management are providing more detailed information to the Stewardship Sub-Committee on matters such as Best Value reviews and other performance issues. This more detailed reporting is designed to generate discussion with Members and to increase their involvement in the development of reviews.



4.4 Reliance on Internal Audit

- 4.4.1 The Board does not have an internal audit service in house. Deloitte and Touche LLP was appointed in December 2007 and has continued to provide the internal audit service for the Board for 2008/09. For 2008/09 the programme of internal audit work included seven projects, follow up on prior year reports and a corporate governance workshop/training session for Board members.
- 4.4.2 To minimise audit duplication we liaise with Internal Audit during our planning to identify areas of their work that we can place reliance on. For 2008/09 we agreed to place reliance on work covering the review of the Procurement and Accounts Payable Controls and the review of Financial Reporting and Budgetary Controls. Following review of the files relating to these reports, we concluded that we could place reliance on the work and findings of internal audit.

4.5 National Fraud Initiative

- 4.5.1 During 2008/09 the latest National Fraud Initiative (NFI) in Scotland began and we monitored the Board's participation in it. The exercise is undertaken as part of the audits of the participating bodies. NFI brings together data from Councils, Police and Fire and Rescue Boards, Health Bodies and other agencies.
- 4.5.2 This exercise is 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.

- 4.5.3 The NFI has generated significant savings for Scottish public bodies (£13.8 million from the 2006/07 exercise and £41 million including previous exercises). Where fraud or overpayments are not identified by the exercise, assurances may be taken about internal arrangements for preventing and detecting fraud.
- 4.5.4 The move to a new creditors system shared with Lothian and Borders Police meant that a short extension to the data upload timetable was required, and some old data had to be uploaded, increasing the number of matches. Matches were available on the secure NFI web application from 11 February 2009. Work on the payroll matches is almost complete, while pressure of other work has meant that work on the creditors matches has only recently begun. No fraud or error has been found to date.
- 4.5.5 Following changes to the legislative framework in England and developing understanding of data protection good practice, new guidance has been issued on the fair processing notices issued to possible data subjects. The approach should be 'layered'; subjects receive a summary which directs them to condensed text which in turn directs them to the full text. Although legislation is not yet in place in Scotland requiring bodies to adopt this approach, it is regarded as good practice. The Board has put arrangements in place which ensured that the new guidance was complied with before the 2008/09 exercise began.

Performance

5.1 Strategic Planning

- 5.1.1 Strategic planning is undertaken through the Force's plan 'Platform for Success' which links the Strategic Plans for each of the eight business areas to the Department/Business Unit Annual Delivery Plans. This is now the fifth iteration of the strategy, which has evolved year on year, and progress against the objectives is subject to regular reporting to the Board and the Force Executive Board.
- 5.1.2 Budget Holders are asked to prepare annual Business Plans for their areas which include the budget requirements in line with the work priorities and objectives. As part of this process, each area is asked to detail any plans for efficiency gains, reviews or savings and bid for additional monies to fund growth.

5.2 Performance Management

- 5.2.1 Ongoing performance management is undertaken in a framework that involves Business Area Management teams, the Force Executive team and Members.

5.3 Single Outcome Agreement

- 5.3.1 In 2007 national and local government leaders signed a concordat which requires each local authority to produce a Single Outcome Agreement (SOA) detailing how it would contribute to national outcomes whilst meeting its own local priorities. In return the Scottish Government pledged to allow councils greater freedom, for example, by removing ring-fencing of funds.
- 5.3.2 A report was submitted to the Board in May 2009 to update members on the contributions the Force has made in relation to the implementation of SOA's across the three local authority areas within Grampian; and the Force's continued commitment to support partners in the Community Planning Partnerships (CPPs) in the delivery of agreed national outcomes and local priorities.
- 5.3.3 Command Officers and staff within the Force worked closely with representatives of the three local authorities and other partners to produce the SOA's for 2009/10. As the Force's contributions were considered separately on a Divisional basis to address local issues, this has led to a manageable degree of disparity, compounded by the differing formats in which the three SOA's have been developed.
- 5.3.4 In order to rationalise the situation, the Force has used the Scottish Policing Performance Framework (SPPF) indicators where possible. With regard to future performance reporting, work is to be undertaken in Force to establish where commonality exists across the three SOAs, with a view to aligning indicators included in the SOAs with existing performance indicators. This will allow compliance with the National Outcomes to be reported on through the existing quarterly Public Performance Reporting mechanisms.



Performance

5.4 Efficient Government

- 5.4.1 All public sector bodies in Scotland are involved with the Scottish Government’s Efficient Government initiative. The initiative is designed to achieve cash and time-releasing savings over a five-year period through elimination of waste, bureaucracy and duplication.
- 5.4.2 The Force has carried out work on various topics including the use of technology to improve productivity, joint working with partners and improving organisational and management practices. Much of this effort will result in cash and non-cash savings in future years, as well as the current year. These gains are re-invested to resource more police officers in front line duties and therefore delivering benefits to the community. The efficiencies have been included in the savings recently reported to the Association of Chief Police Officers in Scotland (ACPOS) and will play a significant role in supporting ACPOS to meet future efficiency savings targets.
- 5.4.3 The actual savings for 2008/09 against the targets set for the year show that the targets have been significantly exceeded as follows:

	Target 2008/09 £m	Actual 2008/09 £m
Cash Releasing	1.675	2.461

- 5.4.4 Examples which have assisted in exceeding the targets for 2008/09 include:
- Civilianisation of some posts has saved over £140,000;
 - Introduction of new contracts for a number of services has saved over £40,000, including a new contract for telephone interpreting service; and
 - Negotiating discounts on goods and services has led to a further £15,000 of savings.

5.5 Risk Management

- 5.5.1 A guide entitled “Risk Management: A Practical Guide” has been produced by the Force and gives guidance to the application of the three core risk management processes currently adopted by the Force: Strategic Risk Management, Health and Safety Risk Management and Project Risk Management. This is complimented by the three Force risk registers currently in place.
- 5.5.2 A “Significant Risk Register” was presented to the Stewardship Sub-Committee in June 2009 and has been collated from the high level risks articulated in Force Business Plans for 2009/10. The status and action around each significant risk will be updated and reported for each Force Executive Board meeting using the Governance Reports of the risk owners. Emerging issues are also included in the “Significant Risk Register” due to the need to identify and report at a strategic level any potential influences, problems or opportunities that may have an impact on the Force.



Performance

5.5 Risk Management (cont'd)

5.5.1 The “Full Risk Register” has been collated from all risks identified within the Force Business Plans for 2009/10. This document provides a snapshot of risks identified at the beginning of the new financial year and all significant risks will continue to be reported to the Force Executive Board on a monthly basis throughout the year.

5.6 Statutory Performance Indicators (SPIs)

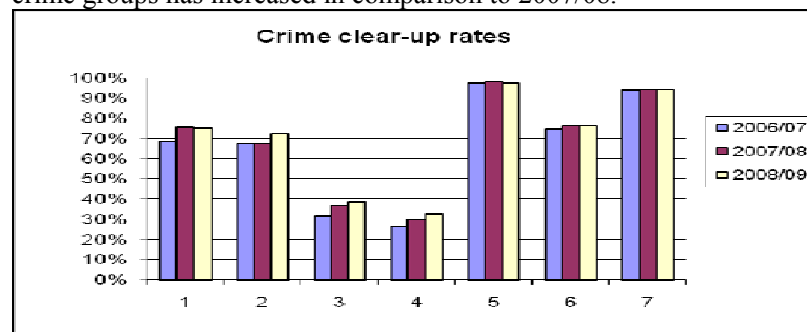
5.6.1 The SPIs are now incorporated into the Scottish Police Performance Framework (SPPF) which is intended to rationalise the diverse approaches to performance measurement previously adopted within Scotland to improve co-ordination and avoid duplication of effort. The Force is required to provide quarterly returns to the Scottish Government on the Framework which has 38 different performance indicators of which 25 are supplied by Forces, nine of which are SPIs. We are only required to review the system in place for production and publication of the nine SPIs.

5.6.2 The 2008/09 return to Audit Scotland for SPIs was made by the 31 August 2009 deadline. We concluded that the systems in operation for the production and publication of the SPIs were reliable for all indicators. The Force failed to report SPI 2, Response Times to 999 calls in 2007/08, as there was no data available for quarter 4 due to the software not being transferred to the Standby Control Room during refurbishment. As this work was complete and the software operational in April 2008, the full years data was available for 2008/09 and was therefore considered reliable.

5.6.3 The Board’s reported performance through the SPIs is summarised as follows:

Percentage of crimes cleared up

Overall, the percentage of crimes cleared up across most of the seven crime groups has increased in comparison to 2007/08.



The most noticeable movements in the year are as follows:

- ❑ A 11% increase in group 2 crimes (crimes of indecency) detected is largely due to intelligence led policing focused on antisocial behaviour associated with prostitution in Aberdeen City centre and new legislation allowing “kerb crawlers” to be charged.
- ❑ Group 4 crimes (fire raising, malicious and reckless conduct) have seen a decrease of 6% in those recorded, with the percentage detected increasing by 3%. Vandalism crime has been targeted by a pro-active approach with directed patrols targeting specific areas.



5.6 Statutory Performance Indicators (SPIs) (cont'd)

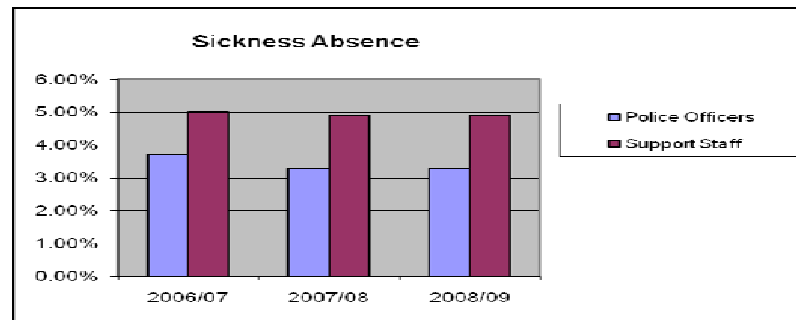
- ❑ The number of group 5 crimes (other crimes) has increased by 7%, while the number of crimes cleared up has increased by 6%. A large part of this increase was achieved in quarter 4 due to Operation Lochnagar.
- ❑ Group 6 crimes (miscellaneous offences) have seen an increase of 6%, with the number of crimes cleared up also increasing by 6%. This crime group is affected by the highest volumes of offences which are breach of the peace and minor assault offences. There is also more use of anti-social behaviour fixed penalties where previously a warning would have been given.
- ❑ Group 7 crimes (offences relating to motor vehicles) have decreased by 13%. The Force and NESCAMP have moved away from a focus of catching those who drive at excessive speed and now focus on directed patrols which monitor areas with high rates of collision and fatalities.

Proportion of 999 calls answered within 10 seconds

No data was available for quarter 4 of 2007/08 therefore there is no comparable data, however, in comparison with 2006/07, the proportion of 999 calls answered within 10 seconds is consistent at 91%.

Proportion of working time lost due to sickness absence

The level of sickness absence for both police officers and support staff has remained the same in comparison to previous years, although both are still below the national averages of 4.1% and 5.1% respectively, as shown below:



Complaints

This indicator has changed during 2008/09 therefore is not directly comparable with previous years. The number of complaints about officers and staff has increased by 36% and the number of service complaints has increased by 41%. The large increase is due to the change in the indicator in comparison with prior years. A new policy introduced by the Force during 2008/09 has included raising internal awareness of complaint recording and better reporting to the Professional Standards and Conducts Department. The figures for 2008/09 also include complaints received through the Service Centre, which were previously not recorded.

Racially Motivated Incidents

The number of racist incidents per 1,000 population has increased by 58%. This is due to better recording practice and the increase in crimes records. The increase in crimes recorded is due to a change in the indicator during 2008/09, which now includes any crimes or offences recorded which are at least in part racially motivated, where previously only direct racial conduct was counted.

5.6 Statutory Performance Indicators (SPIs) (cont'd)

Drug Offences

Drug seizures have increased substantially in comparison to previous years with the weight of class A drug seizures increasing to 26.364kg, the quantity of tablets increasing to 1,060 and the volume increasing to 5,427ml. The number of drug offences has also increased to 613. The substantial increase is partly due to Operation Lochnagar, which was introduced as a result of increased public concern regarding drug dealing activities and increasing number of drug deaths. The operation targeted street level drug dealing in several local communities in Aberdeen. There were also a number of large scale intelligence led operations targeting Organised Crime Groups.

Number of people killed or injured as a result of road accidents

The number of people killed or seriously injured has increased by 55 (16%) to 406 in 2008/09 which comprises no movement in the number of people killed and an increase in those seriously injured. The Force has highlighted that a review of recording processes during 2007/08 has resulted in re-classification of some slight injury collisions to serious injury collisions.

Police Reports to the Children's Reporter and the Procurator Fiscal

A national target of 14 calendar days after caution/charge has been set for the time taken to submit police reports to the Children's Reporter. A target has also been set by the Crown Office and Procurator Fiscal Service and Association of Chief Police Officers Scotland that Forces should aim to report 80% of reports to the Procurator Fiscal within 28 calendar days.

The Force's performance in this area over the last year is consistent with previous years, as follows:

- ❑ Police Reports to the Children's Reporter increased from 84.8%% to 84.9%;
- ❑ Police Reports to the Procurator Fiscal increased from 94.6% to 95.8%.

5.7 National Studies

Police Call Management

- 5.7.1 Audit Scotland carried out a national study on *Police Call Management* and issued its report in September 2007. The study looked at the numbers and types of calls made to the police (including both 999 and non-999 calls) and the effectiveness of the arrangements to manage this demand. While many calls made to the police result in officers attending an incident, the study focused on call management and dispatch, rather than how the police manage the resulting incident. The report made 18 detailed recommendations intended to assist the Scottish Government, police authorities, chief constables and other relevant organisations to improve the effectiveness of police call management in Scotland. Progress will be followed up over the next year by either Audit Scotland or external audit.

5.7 National Studies (cont'd)

Improving Civil Contingencies Planning

5.7.2 A national study was also carried out and a report was issued in August 2009 on *Improving civil contingencies planning*. The study looked at progress made since the Civil Contingencies Act 2004 was passed, assessing the pace of change and identifying ways in which improvements can be made. The report made 16 detailed recommendations where further improvements can be made.

Improving Public Sector Purchasing

5.7.3 The Audit Scotland report *Improving public sector purchasing* was published on 23 July 2009. It provides a position statement on the progress and impact of the Public Procurement Reform Programme (the Programme), which aimed at improving purchasing practice and making savings of about three per cent a year.

5.7.4 The report finds that the public sector in Scotland is improving its purchasing and has estimated it has saved a total of £327 million in the first two years of the Programme, which has cost £61 million so far to implement.

5.7.5 The current economic climate means that more than ever, the public sector needs to find cash savings without cutting services or quality. With the public sector's size and combined purchasing power, there is still potential for it to buy goods and services more efficiently and deliver more significant savings through increased collaboration and better management. There has been progress in recent years but it has varied across the country and been slower than planned.

5.7.6 The report recommends that the public sector should increase the use of collaborative contracts. These are a key feature of the Programme, but are being developed more slowly than expected. Other high level recommendations were made which highlight the good purchasing practice that public bodies should adopt to demonstrate Best Value.

5.8 Best Value Audits

5.8.1 The Force has developed a sound approach to the Best Value review process and, in the last few years, has developed a systems approach to continuous improvement. This ensures that frontline staff are involved throughout the review, including collecting the data and making recommendations for improvement. The transparency of the methodology and involvement of frontline staff has resulted in commitment from staff at all levels and Best Value is now viewed in a positive light.

5.8.2 The Continuous Improvement Unit (CIU) reviews systems and processes, technology and facilities to maximise effective service provision. By demonstrating continuous improvement through the elimination of inefficiency, unnecessary variability and inflexibility, the CIU assists the Force in delivering value for money.

5.8.3 Prioritisation of work is aligned with Force priorities, national priorities and any current HMIC inspections. Reviews during 2008/09 have included:

5.8 Best Value Audits (cont'd)

5.8.3 Cont'd

- ❑ Occupation Health Unit – review identified that the current process does adequately support the overall recruitment process and is flexible enough to change to meet increased demand.
- ❑ Aberdeen Division Custody – work has commenced to identify areas of wasteful practices, delays, duplication of effort and unnecessary bureaucracy within the custody process and make recommendations regarding possible streamlining of this process.
- ❑ Corporate Communications review – this aims to identify any potential areas for improvement which, when implemented, will ensure the Department meets current and future demand.

5.9 Best Value 2

- 5.9.1 The Accounts Commission and Her Majesty's Inspector of Constabulary for Scotland (HMICS) are now taking a joint approach in carrying out and reporting police best value audit and inspections, referred to as Best Value 2 (BV2).
- 5.9.2 Audit Scotland and HMICS will work together to undertake joint risk assessments and assess the performance of the police authority and police force, to seek to achieve shared judgements on the extent to which characteristics of a best value police authority and police force are met and report publicly on the results.

5.9.3 The audit and inspection will consist of:

- ❑ A corporate assessment of the police authority and police force;
- ❑ A performance assessment of the police force, which will be outcome-focused and based on an EFQM model;
- ❑ A summary of the achievements of best value and continuous improvement by the police authority and force.

5.9.4 Pilots have recently been carried out in two authorities and further information will be provided when these are concluded.

5.10 HM Inspectorate of Constabulary for Scotland (HMICS)

- 5.10.1 HMICS undertook a fundamental review of their inspection process in 2007 and have now moved away from the five-year cycle of 'whole force' inspections to a lighter touch, risk-based scrutiny process.
- 5.10.2 In June 2008, the Force, along with the other seven Scottish Forces, commenced the HMICS Self Assessment process. This process is intended as an interim measure with the intention of moving towards developing the Public Sector Improvement Framework (PSIF) model when the Police Service has become more familiar with self assessment and the PSIF model has matured.

Performance

5.10 HM Inspectorate of Constabulary for Scotland (HMICS) (Cont'd)

- 5.10.3 The Force identified ten areas of business which have undergone the self assessment process, involving every Business Area or Division assessing their own performance using the European Foundation for Quality Management (EFQM) model provided by Quality Scotland. Action plans have been developed and incorporated into business plans to ensure areas for development are driven forward. Progress is reported quarterly to the Force Executive Board and all Business Areas meet to ensure that good practice is shared and applied in differing contexts.
- 5.10.4 In March 2009, HMICS published a report on its findings of the thematic inspection on Strategic Priority Setting, entitled "*Scottish Forces: Consulting the Public*", which included four recommendations which Forces were asked to consider. The Force provided responses to each of the recommendations, and updated the Board on 3 July 2009.
- 5.10.5 Updates on previous HMICS Thematic recommendations, covering *Police Use of Firearms in Scotland* and *Medical Services for People in Custody* were presented to the Stewardship Sub-Committee in June 2009.



Appendix I – Respective Responsibilities

Respective Responsibilities of Members, Officers and Auditors

Each public sector body is accountable for the way in which it has discharged its stewardship of public funds. Stewardship is a function of both executive and non-executive management and, therefore, responsibility for effective stewardship rests upon both Members and officers of a public sector body.

That responsibility is discharged primarily by the establishment of sound arrangements and systems for the planning, appraisal, authorisation and control over the use of resources and by the preparation, maintenance and reporting of accurate and informative accounts.

It is our responsibility to undertake an independent appraisal of the discharge by management of its stewardship responsibilities, to enable us to give an assurance that those responsibilities have been reasonably discharged.

The Board and the Treasurer's responsibilities for the Statement of Accounts are set out on page 10 of the annual statement of accounts. Our responsibility is to form an independent opinion, based on our audit, on the abstract of accounts and report that opinion to you.

We are required to review whether the Board's Statement on the System of Internal Financial Control reflects the Board's compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether the statement covers all risk and controls, or form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.



Appendix II – Definition of Material, Significant and Trivial in Relation to the Audit Adjustments

We are required to express an opinion on whether the accounts give a true and fair view of the financial position of the Board. In arriving at that opinion we need to assess any weaknesses, misstatements and errors discovered during our audit testing. Additional information or events in the period between the balance sheet date and the date we sign our audit report must also be considered.

In order to help us to assess the impact of errors we classify them as material, significant or trivial.

Materiality is set at the start of the audit using statistical formula and following consideration of risk. The value for significant and trivial are set in relation to the materiality figure.

Material misstatement and adjustments

Material misstatements are misstatements that, in our opinion, mean that the accounts do not give a true and fair view. Material misstatements discovered during our audit are discussed with management and agreement reached over the required revision for the final audited accounts. Where no agreement is reached to make a material adjustment we would need to consider qualifying our audit opinion.

Significant misstatements and adjustments

Significant items are lower in value than material items, but still of a size that might give rise to the financial statements not giving a true and fair view, particularly if there are several of them, which in total would become material. The Board has the option of adjusting for significant misstatements or not. The impact of any significant misstatements not adjusted for in the final audited accounts would need to be considered and where the combined impact of non-adjusted items was material, this could lead to a qualified opinion. Reasons for non adjustment of significant misstatements are required to be reported to the members.

Trivial errors and adjustments

Trivial errors are those with a fairly low value, and which do not affect the true and fair view of the financial statements. These are recorded and summarised during the audit and the overall total net impact is considered. Individual trivial errors would not require adjustment. If the net total of trivial errors becomes significant or material then there will be an issue to be considered for our report unless the Board agrees to adjust the errors.

