

Scottish Crime and Drug Enforcement Agency

Report on the 2008/09 Audit

November 2009



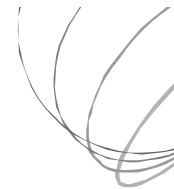
AUDIT SCOTLAND

Scottish Crime and Drug Enforcement Agency

Report on the 2008/09 Audit

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Key messages

In 2008/09 we looked at the key strategic and financial risks being faced by the Scottish Crime and Drug Enforcement Agency (SCDEA). We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

Financial statements

We have given an unqualified opinion on the financial statements of SCDEA for 2008/09. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

Financial position and use of resources

The SCDEA was established from 1 April 2007 under the Police, Public Order and Criminal Justice (Scotland) Act 2006 (the Act). Under the Act, the Scottish Police Services Authority (SPSA) is to 'maintain' the SCDEA. Through SPSA, SCDEA is required to work within the resource budget set by the Scottish Government and funding is ring fenced from the SPSA budget for SCDEA costs. The total resource budget for 2008/09 for SCDEA was £24.476 million and the resource out-turn was £24.195 million resulting in an under spend of £281,000.

SCDEA's resource budget for 2009/10 is £24.732 million which is included within SPSA's budget of £111.187 million. As part of Scottish Government funding arrangements, the figures include an allowance for inflation of 2.7% over the 3-year spending review from 2008/09, and a deduction of efficiency savings of 2% per annum.

Following a review of the capability of SCDEA to address the issues arising from the Serious Organised Crime Mapping Project, in June 2009 the Cabinet Secretary for Justice announced additional investment in the SCDEA of approximately £4m over two years, enabling the agency to recruit up to 81 additional posts. It is anticipated this will be split into £1m for 2009/10 and £3m for 2010/11. Two-thirds of the additional posts will be police staff and one-third police officers. Recruiting additional police officers will be a challenge for SCDEA as the Agency has experienced problems in the past recruiting seconded officers from police forces.

Governance and accountability

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. The Chief Executive of SPSA is the Accountable Officer for SCDEA and reports to the Board on all aspects of corporate services for SCDEA, while the Director General of SCDEA reports on operational matters. During 2008/09 there were changes to Board membership and to the Chief Executive.



The Board have been reviewing their governance role of SCDEA with the Director General. In late 2008 the Board agreed that the governance of SCDEA was sufficiently different from SPSA and Board meetings are now split into SPSA and SCDEA sessions. Strategic priorities are set by the Scottish Government, with strategic direction and control for the Director General, in consultation with a wide range of stakeholders, and the Board are currently reviewing their role in this context.

Our overall conclusion is that SCDEA, during its second year under the Act continue to make progress in establishing sound arrangements but further work is required to embed controls across the organisation.

Performance

The 2008/09 Annual Plan was split into five strategic priorities set by Scottish Ministers with seven targets and four internal objectives with five targets. The 2008/09 SCDEA Annual Report and Accounts describe progress against the targets and in summary the majority of targets were met with targets on Class A drug seizures, level 3 arrests and value of assets restrained all being exceeded. Further progress is required by SCDEA to meet its targets of increasing the diversity of its workforce, finalising a training and development strategy and maintaining staffing levels.

A significant piece of work was the completion of the Serious Organised Crime Group Mapping Project, which aimed to identify the scale and extent of serious organised crime in Scotland. For 2009/10 the priority is now to use this intelligence to inform all aspects of policy and drive activity.

During 2008/09 SCDEA worked with the Scottish Centre for Crime and Justice Research to identify potential measurement areas and new KPIs will be tested and evaluated in 2009/10. New KPIs include for example, the level of assistance provided to forces within agreed timescales and achievement of milestones mainstreaming the mapping project into day-to-day business. Best value will be developed with a series of reviews planned for 2009/10.

Looking forward

The final part of our report notes some key risk areas and issues for SCDEA going forward, including strategic reviews by SCDEA and SPSA in 2009/10. SCDEA faces the challenge of demonstrating impact while delivering efficiencies in light of additional funding for 2009/10 and 2010/11. We also highlight the introduction of the new Scottish Police Board and SCDEA's move to Gartcosh in 2012.

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

Audit Scotland
November 2009



Introduction

1. This report summarises the findings from our 2008/09 audit of SCDEA. The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 18 February 2009. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued four reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and the Board's agreed response.
3. Best value duties apply across the public sector and, in central government, best value is a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and throughout this report we comment on aspects of SPSA arrangements.

Exhibit 1: Framework for a best value audit of a public body





4. Our comments are made on the basis of information made available in the course of the annual audit. We do not make an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report is the first step towards that goal.
5. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. We mention the key findings from all relevant reports, and the implications for SCDEA, throughout this report. Full copies of the study reports can be obtained from Audit Scotland's website, www.audit-scotland.gov.uk.
6. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by management and Board members of SPSA and SCDEA during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website.



Financial Statements

7. In this section we summarise key outcomes from our audit of SCDEA financial statements for 2008/09 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

Our responsibilities

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

Overall conclusion

10. We have given an unqualified opinion on the financial statements of SCDEA for 2008/09.
11. As agreed, the unaudited accounts were provided to us on 15 June 2009, supported by a comprehensive working paper package. We concluded our audit within the agreed timetable and provided our opinion to the Audit Committee on 10 September 2009 as timetabled.



Issues arising from the audit

12. As required by auditing standards we reported to the audit committee on 10 September 2009 the main issues arising from our audit of the financial statements. The key issues were as follows:
13. **Impairment review** - In 2008 we reported an impairment review of assets transferred from the Scottish Government to SCDEA had not been carried out during 2007/08. During 2009 a full physical verification and impairment review was undertaken and the results of the review at SCDEA identified discrepancies between local SCDEA records and Scottish Government records detailing transferred assets, impacting on the depreciation value. Depreciation was recalculated as £65,000 less than the amount included in the accounts. The accounts were not adjusted on the basis that the re-calculated depreciation amount was based on an estimate. During 2009/10 SCDEA will review their detailed asset listing and attribute a useful asset life, which may lead to adjustments in the SCDEA accounts for 2009/10.
14. **Managing programme income and expenditure** - SCDEA has to manage programme income and expenditure for projects, which involve funding in addition to grant-in-aid. We identified instances where improvements could be made to manage income and cash flows: income and cost disclosures in the accounts did not reflect all programme income and costs incurred and there were delays in invoicing another public body for cost recharges. The accounts were updated to reflect programme income and costs incurred cost and the recharge has now been recovered.
15. **Covert Expenditure** - Other expenditure includes costs in relation to covert expenses. As part of our audit procedures we verify a sample of items to supporting documentation but necessarily this is restricted in relation to expenditure on covert operations. The Accountable Officer has provided assurances surrounding the systems in place for recording and authorising this expenditure.
16. Regarding future work, we have been liaising with the National Audit Office and the internal auditors of the Serious Organised Crime Agency to seek their views on auditing this type of expenditure and we are considering obtaining appropriate clearance for some staff members of Audit Scotland to directly review covert expenses.

Regularity Assertion

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



International financial reporting standards (IFRS)

18. As announced by the Chancellor in the 2008 Budget report on 12 March 2008 (Budget report paragraph C103), Government departments and other public sector bodies will report using International Financial Reporting Standards (IFRS) from 2009/10. The Scottish Government announced on 25 April 2008 that all Scottish Government Departments, Executive Agencies, Health Bodies and Non-Departmental Public Bodies would be required to produce shadow IFRS based accounts for financial year 2008/09. This was to include a restated balance sheet as at 1 April 2008.
19. In terms of the audit of the IFRS opening balance sheet at 1 April 2008, there were two key dates to achieve as outlined below:
 - **28 November 2008** – opening 2008 IFRS-based balance sheet were to be presented to auditors for dry-run audit.
 - **28 February 2009** – dry-run audit of opening balances was to be completed, resulting in a letter to management highlighting the work done, auditors' findings and areas for further work.
20. The opening balance sheet and supporting documentation were prepared by SPSA, on SCDEA 's behalf, and submitted for audit review by the deadline date of 28 November 2008. The restated balance sheet and supporting working papers were comprehensive and SPSA had reviewed the majority of leases to identify finance leases; reviewed intangible assets have been to determine if they still meet the capitalisation tests; and calculated an accrual to reflect the liability for untaken annual leave.
21. We made some recommendations for the delivery of the next stage of IFRS reporting – the production of the shadow accounts for 2008/09, and will consider progress on these when we review the shadow accounts later in 2009. These included:
 - Leases – further work was required to complete the full review of leases and document the decision as to whether a lease was an operating or finance lease.
 - Componentisation - a review of assets is to be undertaken to demonstrate that there are no significant components of assets that require to be separated and depreciated at different rates.
 - Financial instruments – significant contracts were to be reviewed to determine whether conditions in the contracts could vary cash flows in an uncertain manner over time e.g. contracts in foreign currency, and to demonstrate no additional accounting was required.
 - Annual leave accrual and flexitime– further work was to be undertaken to establish a wider representative sample across all business areas and SCDEA.



Use of Resources

22. Sound management and use of resources (people, money and assets) to deliver strategic objectives is a key feature of best value. This section sets out our main findings from a review of SCDEA.

Financial Position

Outturn 2008/09

23. Through SPSA, SCDEA is required to work within the resource budget set by the Scottish Government. Under the Police, Public Order and Criminal Justice (Scotland) Act 2006, SPSA 'maintain' the SCDEA and funding is ring fenced from the SPSA budget for SCDEA costs. SPSA's resource budget for 2008/09 was £97.900 million, which included SCDEA's ring-fenced budget of £24.476 million. SCDEA's original cash budget was £23.6 million and £500,000 was transferred during the year to SPSA to support their strategic priorities. Outturn against budget for SCDEA is as follows:

Exhibit 2 – Performance against resource budget 2008/09 (£ million)

Resource Allocation (£million)	Budget	Actual Outturn	Difference
Cash	23.100	22.932	
Non-cash	1.376	1.263	
Total	24.476	24.195	0.281

Financial sustainability and the 2009/10 budget

24. SPSA's budget for 2009/10 of £111.187 million includes ring-fenced funds for SCDEA of £24.732 million. The combined budget is to be funded as follows:

Exhibit 3 – 2009/10 Resource Plan

Limits	Budget
	£million
Cash Grant in Aid for capital and revenue expenditure	101.834
Non-cash Grant-in-Aid	6.023
External income	3.330
Total	111.187

25. SCDEA is expected to achieve 2% of efficiency savings per year from 2009/10 to 2011/12. Although SCDEA has forecast a balanced budget for 2009/10 delivering efficiencies year on year while absorbing cost pressures is an on-going challenge for the organisation.



26. Having a strong budgeting and monitoring regime in place supports organisations to meet their budget requirements. In 2007/08 and 2008/09 SPSA relied on spreadsheets to produce management information for business areas and SCDEA. SPSA is planning to procure a new financial ledger system to improve financial reporting for both SPSA and SCDEA.

Workforce planning

27. In January 2009 the Cabinet Secretary for Justice, at a meeting of the Serious Organised Crime Taskforce, requested the Director General to prepare, in consultation with ACPOS, a paper outlining proposals for the future role and structure of SCDEA. The review was led by a detective chief superintendent from Strathclyde Police and in June 2009 the Cabinet Secretary for Justice announced additional investment in the SCDEA of approximately £4 million over two years, enabling the Agency to recruit up to 81 additional posts. It is anticipated this will be split into £1 million for 2009/10 and £3 million for 2010/11 and the £1million is included within the above budget. Two-thirds of the additional posts will be police staff and one-third police officers. Recruiting additional police officers will be a challenge as SCDEA have experienced problems in the past recruiting seconded officers from police forces.
28. Last year we reported that SCDEA would undertake an internal review of its structure, skills and knowledge base. This review is now completed and implementation work underway, as described in SCDEA Annual Plan 2009/10, following completion of the above capacity and capability review.
29. SCDEA has implemented a new HR and duty management system which will enable improved control over expenses and overtime, and support monitoring of working time as, for example duty rosters, annual leave and overtime and expense claims can be managed electronically. We will monitor these developments during the 2009/10 audit.



Governance and Accountability

30. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our findings arising from a review of SPSA arrangements.
31. Increasingly services are being delivered across the public sector through partnership working, sometimes involving complex governance and accountability arrangements. Best value characteristics also include effective partnership working to deliver sustained improvements in outcomes.

Overview of arrangements

32. This year we reviewed:
 - governance arrangements
 - key systems of internal control
 - internal audit
 - arrangements for the prevention and detection of fraud and irregularity, including standards of conduct.
33. Our overall conclusion is that SCDEA, during its second year under the Police, Public Order and Criminal Justice (Scotland) Act 2006, continue to make progress in establishing sound arrangements but further work is required to embed controls across the organisation.

Governance arrangements

34. SCDEA and SPSA report to the one board. During 2008/09 and since the year-end, the Board with the Director General have been reviewing their governance role of SCDEA. In late 2008 the Board agreed that the governance of SCDEA was sufficiently different from SPSA and Board meetings are now effectively split into SPSA and SCDEA sessions but both bodies report following the same pattern of Chief Executive/ Director General reports, followed by reports on finance, performance, HR and risk management. Strategic priorities are set by the Scottish Government, with strategic direction and control for the Director General, in consultation with a wide range of stakeholders, and the Board are currently reviewing their strategic role in this context.
35. Our audit plan noted the complex accountability arrangements across police services in Scotland and membership of the Board reflects this environment; the Board consists of chief constables, police authority/ joint board conveners and non-executive lay members. In 2007/08 there were changes to the Board due to political changes following the council elections in May 2007. In 2008/09 there were



more changes to the Board; the Convener left in September 2008 and there were was a change in the membership of chief constable. In January 2009 a new Convener, Vic Emery joined the Board. Since the year-end there have been further changes with a police authority member leaving the Board in June 2009 and the Scottish Government are currently recruiting a new member. While there have been a number of changes to the Board the two independent members have remained the same, providing continuity, particularly to the Audit Committee.

36. Adding to the complex accountability arrangements is the dual role of the Chief Executive of SPSA as Accountable Officer of both SPSA and the SCDEA. The Accountable Officer reports to the Board on all aspects of corporate services for both bodies, while the Director General retains operational independence for SCDEA and reports to the Board on operational matters. In December 2008 the Chief Executive was suspended from duty and by mutually agreed settlement left SPSA in April 2009. In January 2009 the Director of Strategy and Performance was appointed as Interim Chief Executive, and continues in that role until a permanent appointment has been made. SPSA are currently recruiting a Chief Executive.
37. The Director General has now been in this role since his appointment in January 2008, having previously been the interim Director General and deputy Director General.

Systems of internal control

38. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. SPSA established a financial control environment and financial regulations, which apply to all business areas and SCDEA. SPSA prepare the financial statements on behalf of SCDEA.
39. In their annual report for 2008/09, PricewaterhouseCoopers, the internal auditors, provided their opinion that based on the internal audit work undertaken during the year, testing confirmed that controls were operating satisfactorily during the period under review.
40. As part of our audit we reviewed the controls in a number of SPSA systems that impact on the financial statements including payroll, creditors, debtors and the general ledger. Our overall conclusion was that progress continues to be made in establishing the systems of internal control during the second year of SPSA, however some controls were not in place during the whole year, and it will take more time to embed financial controls across SPSA. We identified a number of areas where controls could be strengthened including the risks over continued use of spreadsheets for financial reporting and recording of fixed assets, improvements in maintaining complete personnel files for all staff and control over the use of government procurement cards. Management agreed to action plan of improvements and this will be followed up in 2009 to confirm progress has been made.



Our substantive testing provided us with assurance of the regularity of transactions and results confirmed that the underlying transactions had been accounted for properly.

41. As mentioned at paragraph 15, SCDEA undertake covert operations and we note that the inspections in 2008/09 by the Office of Surveillance Commissioner reported that SCDEA maintained high standards in all areas of covert surveillance.

Statement on Internal Control

42. The Statement on Internal Control provided by the Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and set out SPSA's approach to this whereby SCDEA follows SPSA's corporate policies but retains operational independence. No significant internal controls issues were disclosed in the Statement on Internal Control.

Internal Audit

43. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2008/09 audit we assessed whether we could place reliance on SPSA internal audit function. We concluded that PricewaterhouseCoopers operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in a number of areas during 2008/09, as we anticipated in our annual audit plan.

Prevention and detection of fraud and irregularities

44. SPSA has appropriate corporate arrangements in place for all business areas and SCDEA, to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members, with policies e.g. Fraud Policy/Fraud Response Plan and whistle blowing procedure being regularly reviewed by the Audit Committee and HR Committee, respectively. At the May 2009 Audit Committee the Compliance Manager reported on his fraud assessment based on a self-assessment (using a Treasury checklist) of controls addressing risks associated with cash handling, payroll, purchasing, use of contractors and use of assets (including information). In general the results were satisfactory but the review highlighted areas for improvement and action is being taken to address risks.

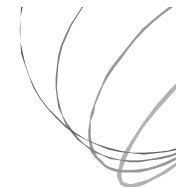


Performance

45. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. Key features of best value include:
- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure improvement, with resources aligned to support their delivery
 - a performance management culture which is embedded throughout the organisation and a performance management framework which is comprehensive and supports the delivery of improved outcomes.
46. In this section we comment on:
- SCDEA annual plan and strategic direction
 - performance overview
 - performance management arrangements
 - risk management
 - efficiency programme

Annual Plan and strategic direction

47. The strategic priorities for SCDEA are within SPSA's three-year corporate plan for 2008 -2011, published in June 2008, and each year SCDEA prepare an annual plan. The Scottish Government set strategic priorities for SCDEA and these are outlined in the SCDEA 2009/10 Annual Plan. SCDEA are to:
- work with and in support of the Scottish police service and other law enforcement agencies to tackle, disrupt and dismantle Serious Organised Crime Groups with an emphasis on Class A drugs and money laundering through targeted intelligence, interventions and enforcement activity
 - use the Proceeds of Crime Act 2002 to maximise the identification of assets for restraint and to support recovery of such assets through criminal confiscation and civil recovery
 - mainstream organised crime mapping into daily business whilst working in partnership with Scottish Government, ACPOS and partner agencies, to use the product to inform policy and strategy and to drive tactical activity, at local and national levels, impacting on those crime groups and individuals that cause the greatest threat, risk and harm to our communities
 - work with Scottish Government and Association of Chief Police Officers in Scotland (ACPOS) to support legitimate businesses by identifying and pursuing opportunities for innovative intervention tactics and techniques in the fight against serious organised crime.



48. As noted by SCDEA in their 2009/10 Annual Plan, the strategic priorities are very similar to the previous year. One main change is that in 2008/09 a strategic priority was to undertake a mapping exercise of serious organised crime in Scotland while, for 2009/10 the priority is to now use this intelligence to inform policy and drive activity. In our 2008/09 Audit Plan, we noted that SCDEA were developing a set of performance indicators and targets. During 2008/09 SCDEA worked with the Scottish Centre for Crime and Justice Research to identify potential measurement areas and new KPIs will be tested and evaluated in 2009/10. New KPIs include for example, the level of assistance provided to forces within agreed timescales and achievement of milestones mainstreaming the mapping project into day-to-day business.
49. 2009/10 is the third year of the Scottish Policing Performance Framework (SPPF). As in the 2008/09 SPPF, there are two indicators relevant to SCDEA: identifying value of criminal assets to be confiscated by appropriate authorities as a result of SCDEA activity and weight of Class A drug seizures and number of supply and possession with intent to supply offences recorded. These targets are included within the SCDEA 2009/10 Annual Plan.

Performance overview

50. The 2008/09 Annual Plan was split into five strategic objectives set by Scottish Ministers with seven targets and four internal objectives with five targets. The 2008/09 SCDEA Annual Report and Accounts describe progress against the targets and in summary the majority of targets were met with targets on Class A drug seizures, level 3 arrests and value of assets restrained all being exceeded. Further progress is required by SCDEA to meet its targets of increasing the diversity of its workforce, finalising a training and development strategy and maintaining staffing levels.
51. During 2008/09 SCDEA led on the Serious Organised Crime Group Mapping Project which aimed to identify the scale and extent of serious organised crime in Scotland. The initial timetable was to deliver this work by December 2008 but this was extended to allow a second round of data collection. The result of this work was the first Serious Organised Crime Strategy, launched by the Cabinet Secretary for Justice in June 2009 and a ranked list of serious organised crime groups, which will be used by all Scottish law enforcement agencies to more effectively target resources.
52. In addition to the SCDEA Annual Report and Accounts the Director General prepares a separate Annual Report which describes highlights of SCDEA's work. The examples provided demonstrate the level of partnership working required and successful operations have come from working with many different organisations including: the Scottish Prison Service, Serious Organised Crime Agency, Europol, HM Revenue and Customs, overseas governments and local government trading standards teams.

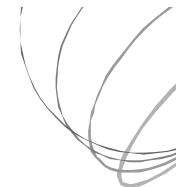


Performance management

53. Performance in 2008/09 was monitored through the quarterly SCDEA Performance Meeting chaired by the Director General and attended by heads of departments and monthly meetings to discuss more detailed operations. The SPSA Board review progress by means of financial and performance reports presented to each Board meeting. In May 2009 the Board approved a revised performance reporting format and there is now more information to explain the reason for progress, details of actions being taken to address issues with a named action owner.
54. The 2008/09 SPSA Annual Plan included an objective to implement a Best Value strategy, which would seek to commission a programme of regular best value studies across business areas. The development of a formal best value approach has not progressed as planned, however the external review of capacity and capability at SCDEA is an example of business review carried out. The SCDEA 2009/10 Annual Plan comments that SCDEA is to conduct a series of Best Value reviews in 2009/10.
55. As reported last year, HM Inspectorate of Constabulary for Scotland (HMICS) has changed the inspection methodology, replacing the 5 year cycle of primary and review inspections of forces and the former common police services with a system of annual self-assessment. The self-assessment regime applies to SCDEA and the first round of self-assessments was in November 2008. SCDEA completed the self-assessment and an action plan is being implemented with progress being monitored through SCDEA's governance and performance management groups.

Risk Management

56. In 2007/08 SPSA established its risk management framework whereby business areas and SCDEA followed the one approach and prepared local risk registers with a corporate risk register capturing the most significant risks. In 2008/09 the risk register was a standing item at each Board meeting and the Audit Committee considered the approach to ensuring the risks register captured the main risks to the organisation. During 2008/09 changes were made to the format of the risk register to provide clearer presentation of business and financial risk and changes in risk levels.
57. SCDEA's 2009/10 Annual Plan discusses five potential risks with mitigating actions, however, the SCDEA internal risk register has additional risks with more in-depth information. The five risks are:
 - lack of specific skills are not in place at the required time
 - there is an increase in technological advances with the potential to be exploited by criminals
 - financial constraints impact on operational activity
 - there are changes in the markets within which the crime groups, as identified in the serious organised mapping project operate, putting pressure on the impact of the work of SCDEA
 - a critical incident results in staff moving to support that work, increasing the risk of SCDEA meeting its strategic objectives.



Efficiency

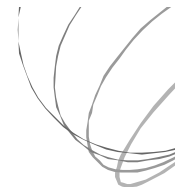
58. Efficiency savings by SCDEA for 2008/09 were made through recruitment cutbacks with services delivered through a combination of better management processes and succession planning. Identifying, tracking and reinvesting efficiency savings is managed at a corporate level by SPSA and SCDEA form part of the Efficiencies Monitoring Group. 2% savings were top-sliced from the 2009/10 SCDEA budget, as set by the Scottish Government and also SCDEA monitor additional efficiencies through a Continuous Improvement Tracking System. A challenge for SCDEA in 2009/10 is to demonstrate efficiencies while maximising the impact and value from the £4 million additional funding was recently awarded to SCDEA.

National Studies

59. In March 2009 Audit Scotland published *Drug and Alcohol Services in Scotland*, which is a national study of relevance to the work of SCDEA. Audit Scotland also produced reports on *Use of Consultants*, *Improving Public Sector Purchasing*, *Improving Energy Efficiency* and *Improving Civil Contingencies Planning* and these are reported in our Annual Report on the 2008/09 Audit of SPSA as these areas are managed corporately for SPSA and SCDEA and therefore relevant to corporate services level at SPSA, rather than to the operations of SCDEA.

Drug and Alcohol Services in Scotland

60. The aim of the study was to identify how much the public sector spends on drug and alcohol services and to assess whether evidence of need or what works determines how this money is used and what impact the money has had. While the report focuses on treatment and care services by councils and health boards it also comments on enforcement activity. The National Drugs Co-ordinator at SCDEA sat on the project advisory group. The report acknowledges that the impact of enforcement activity is complex and while drug seizures are increasing over time the impact that this has on the availability of illegal drugs or Scotland's drug problem is not known.
61. Audit Scotland recommends the Scottish Government set clear national minimum standards for drug and alcohol services and clarify accountability and governance arrangements for the delivery of services. Public bodies are recommended to ensure all drug and alcohol services are based on an assessment of local need and are regularly evaluated and service specifications are in place for all services. Clear criteria of effectiveness and expected outcomes for the different services that are provided should be set and regular audits undertaken.
62. As described in paragraph 48, SCDEA have been reviewing their KPIs to improve understanding of the impact of the intervention work of SCDEA. The 2009/10 Annual Plan notes that SCDEA propose to adopt a performance management framework for developing and testing outcome-focused KPIs. We will monitor the progress on the development of the framework during our audit work.



Looking Forward

63. SCDEA faces a number of challenges in 2009/10, which include:

- **Strategic review** – SCDEA are developing a five-year strategic plan which will link to Scottish Government priorities but which will also cover a period covering large scale events such as the Commonwealth Games in Glasgow and their move to new headquarters. SPSA are also undertaking a comprehensive strategic review and planning process aiming to prepare a five-year strategic plan for SPSA by March 2010. SCDEA will continue to agree its strategic priorities with the Scottish Government but changes to SPSA corporate services and other SPSA business areas, for example forensics, may impact the work of SCDEA.
- **National Police Board** - In June 2009 the Cabinet Secretary for Justice announced the Scottish Government would convene a new Scottish Police Board, which will bring together central and local government partners with the police to identify and consider strategic priorities. The first meeting will take place in the autumn. This is in response to HMICS report Independent Review of Policing. HMICS reviewed the history of the complex police arrangements and recommended that the Cabinet Secretary for Justice establish and chair a national group that reflects at least the tripartite arrangements for policing in Scotland. This provides further opportunity for stakeholder engagement for SCDEA as part of their strategic review.
- **Budgets and financial management** – Budgets for 2009/10 and the immediate future will need to be managed within a tighter funding regime. This includes no scope for end of year flexibility for the Government with HM Treasury until the next spending review and the impact of the introduction of International Financial Reporting Standards (IFRS). In addition to delivering efficiencies, SCDEA has to manage new staff within the funding allocated. The challenge for SCDEA is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives while demonstrating the positive impact of the additional staff being provided.
- **Scottish Crime Campus** – Under the Scottish Government's Infrastructure Investment Plan 2008, the Government is building a 'crime campus' at Gartcosh to co-locate public agencies involved in tackling serious organised crime. In 2012, SCDEA will relocate to Gartcosh to establish their new headquarters. Each organisation is currently considering the building layout and their accommodation requirements.
- **National study** - Audit Scotland's forward work programme of performance audits for 2009/10 includes a review of SPSA's progress in delivering efficiencies in police support services and maintaining SCDEA.