



HENDERSON LOGGIE

**Tayside Joint Police Board**

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

**2008/09**

**External Audit Report No: 2009/04**

**Draft Issued: 13 October 2009**

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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 Tayside 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 Tayside Joint Police Board and the Audit and Scrutiny 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. Our opinion on the financial statements is qualified, as a result of a disagreement about accounting treatment in respect of FRS 17 based pension costs for the new Police Pension Scheme.
- 1.1.2 Except for the financial effect of the FRS 17 based pension costs referred to above, 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 Tayside Joint Police Board (the Board) and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.
- 1.1.3 Our audit report no. 2009/03, *Report to those charged with Governance on the Audit of Tayside Joint Police Board* was discussed with the Treasurer and the Convenor and Vice-Convenors of the Audit and Scrutiny sub-committee before being finalised on 17 September 2009. The report provides audit comment on the key issues and audit opinion arising from the audit of the financial statements and of the financial systems of internal control.
- 1.1.4 The Board's Income and Expenditure Account shows a deficit for the year of £25.806 million. After adjusting for amounts required by statute and non-statutory proper practices to be debited or credited to the General Reserve Balance, the Board reported an increase in the General Reserve Balance for the year of £1.797 million.

## 1.2 Governance

- 1.2.1 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 Audit Sub-Committee with reports and statistical data to enable Members to make informed decisions and to raise challenges where appropriate.
- 1.2.2 In May 2009, the Board approved changes to the terms of reference of the Audit Sub-Committee. The committee was re-named the Audit & Scrutiny Sub-Committee and membership was extended to nine members.
- 1.2.3 The Board's Standing Orders and Financial Regulations were last updated in November 2006. We recommend that these are reviewed and updated on a regular basis to ensure that they remain fit for purpose. (Page 21)

## 1.3 Performance

- 1.3.1 Tayside was selected as the first of two pilots for the new joint audit and inspection process for Police. The report is due to be published in December 2009.
- 1.3.2 Annual Performance Plans and the Chief Constable's Annual Performance Reports are published and are available on the Force's website; [www.tayside.police.uk](http://www.tayside.police.uk). The Chief Constable's Annual Report for 2008/09 was submitted to the June 2009 Board meeting.
- 1.3.3 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 third annual report, covering significant matters arising during the course of our audit of the Board for the year ended 31 March 2009.
- 2.1.2 The framework under which we operate under appointment by Audit Scotland is outlined in Section 2 of our *Risk Assessment, Annual Audit Plan and Fee Proposal for 2008/09* (Report 2009/01 issued on 28 January 2009). The respective responsibilities of members, officers and auditors are set out in Appendix I of 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
  - 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 Best Value 2

- 2.2.1 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).
- 2.2.2 Audit Scotland and the HMICS 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.
- 2.2.3 Tayside was selected as the first of two pilots for the new joint audit and inspection process. The main audit and inspection work was carried out in May and June 2009 and a member of our audit team was included in the inspection team. The report is due to be published in December 2009 and will include further comment on some of the topics included in this report, particularly in relation to governance and performance.
- 2.2.4 The key objectives of the BV2 work were to:
- assess the extent to which Tayside Joint Police Board and Tayside Police are meeting their best value and community planning duties under the Local Government in Scotland Act 2003 and complying with Scottish Government Guidance; and
  - agree planned improvements with the local authorities, Force and the Board, to be reviewed by external auditors and HMICS on an ongoing basis.



# Introduction

## 2.3 Audit Activity and Reporting

- 2.3.1 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 at the Board. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.
- 2.3.2 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 20 May 2009 and our *Report to those charged with Governance on the Audit of Tayside Joint Police Board*, Report 2009/03 issued on 17 September 2009.
- 2.3.3 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.

## 2.4 Acknowledgements

- 2.4.1 Our audit for this year has brought us in contact with a wide range of staff within the Force and Board members. We would like to take this opportunity to place on record our appreciation of the co-operation and assistance extended to us by staff and members 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 Tayside Joint Police Board 2008/09* (Report 2009/03 issued on 17 September 2009) which was discussed with the Treasurer and the Convenor and Vice-Convenors of the Audit and Scrutiny sub-committee on 7 September 2009. This report included our proposed audit certificate and detailed the agreed adjustments to the draft accounts arising from our audit.

## 3.2 Accounts Certification

- 3.2.1 On 17 September 2009 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 Proper accounting practice requires local authorities and boards to make a charge to the income and expenditure account for pension costs based on FRS 17 Retirement Benefits. The Regulations which provide the statutory basis for local authorities and boards to remove FRS 17 based costs from being a charge to the general fund, so that only the actual pension payments are charged to that fund, do not currently apply to the new Police Pension Scheme established with effect from 6 April 2006. The adjustment required to comply with the legislation as it currently stands is: £1.992 million for 2008/09; £0.805 million for 2007/08; and £0.414 million for 2006/07. The Treasurer decided not to make these adjustments.

- 3.2.3 The decision not to adjust gives rise to a disagreement about accounting treatment and a qualification in our audit opinion. In our view this is a technical qualification caused by an omission in legislation. We have been advised that it is planned to amend the legislation before the 2009/10 financial statements will be finalised. The omission, and resultant audit opinion qualification, is not caused by any error or control weakness on the part of the Board's finance staff or financial systems.
- 3.2.4 Except for the financial effect on the General Reserve and the Pension Reserve of the matter referred to in the preceding paragraphs:

- 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 Tayside Joint Police Board as at 31 March 2009 and its income and expenditure during the year
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973
- 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 and two trivial 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 Overall the audit adjustments had no impact on the increase in the General Reserve balance of £1.797 million reported in the draft accounts as they related mainly to book entries required for compliance with capital accounting requirements which result in changes to the non-cash backed reserves.
- 3.3.3 Details of these adjustments were highlighted in our *Report to those charged with Governance on the Audit of Tayside Joint Police Board*, which was issued on 17 September 2009.

## 3.4 Financial Position

- 3.4.1 The Board's net operating expenditure of £110.462 million exceeded the income from government grants and constituent authorities' contributions, resulting in a deficit for the year of £25.806 million reported in the Income and Expenditure Account.
- 3.4.2 This reported deficit is carried into the Statement of Movement on the General Reserve Balance and is then adjusted by £27.603 million for items required by statute and non-statutory proper practices to be credited to the General Reserve. The net impact of these adjustments is an increase in the General Reserve Balance of £1.797 million for the year, increasing the General Reserve Balance carried forward to £9.427 million as at 31 March 2009.

- 3.4.3 Details of the adjustments made are reported in the notes to the accounts on page 27 of the Audited Statement of Accounts. 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 become payable to pension funds and pensioners, rather than as future benefits earned.
- 3.4.4 The Scottish Police Service Authority (SPSA) was fully brought into operation on 1 April 2007. Forensic Services were transferred to the SPSA on 1 April 2007, with all staff and assets being transferred. The ICT function was transferred on 1 April 2008. Currently only the staff have transferred, with the assets remaining with the Board. 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 Board 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 each year. In January 2008, the Board agreed a revenue budget for 2008/09 of £88.222 million. This was subsequently adjusted for the transfer of ICT services to the SPSA, resulting in a revised revenue budget of £85.037 million.
- 3.5.2 There was a general underspend of £1.797 million in 2008/09, of which £1.272 million has been earmarked to meet the costs of police pension entitlements and £0.525 million has been transferred to the General Reserve for use by the Board in future years.
- 3.5.3 Interest earned on revenue balances exceeded the budget by £0.120 million. As agreed by the Board at the time of setting the 2009/10 budget, £0.099 million of this total has been retained by the Board to assist in funding the police pension pressures for 2009/10.
- 3.5.4 Pension income exceeded the budget by £0.898 million, mainly due to increased transfer values. Other income exceeded the budget by £0.208 million, mainly from additional recoveries for police services.
- 3.5.5 This positive 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 Pension Scheme (LGPS) administered by Dundee City Council and the Uniformed Police Services Schemes. In accordance with FRS 17 reporting requirements the estimated pension liabilities were provided by the Actuary at 31 March 2009. Estimated liabilities exceeded the Board's share of assets in both schemes.

**Table 1 – Pension liabilities**

Estimated pension liabilities	2008/09	2007/08	Movement
<b>Pension Scheme</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Local Government	9.136	1.236	7.900
Police	463.623	476.000	(12.377)
<b>Pension liabilities at</b>			
<b>31 March</b>	<b>472.759</b>	<b>477.236</b>	<b>(4.477)</b>

- 3.6.2 The overall decrease in the Schemes' liabilities for the year to 31 March 2009 is primarily due to changes in the actuary's assumptions and discount rates applied underlying the present value of the schemes' liabilities.



## 3.6 Pensions (Cont'd)

- 3.6.3 The Uniformed Police Officers Pension Scheme is administered for the Board by Dundee City Council in accordance with the Police Pensions Regulations 1987 and 2007 (Scotland) and the Police Pensions Act 1976, as amended 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 assessed the FRS 17 valuation as at 31 March 2009 for this scheme using the financial assumptions disclosed in note 10 on page 33 in the accounts.
- 3.6.4 The amendment to FRS 17 Retirement benefits, published in December 2006, was adopted within the 2008 SORP. This amendment required assets to be valued at their current bid value, whereas previously they were valued at mid market value. As a result, the value of the net pensions liability at 31 March 2008 increased by £0.365 million to £477.236 million. The restatement is not considered material and no prior year adjustment has been applied. The restated net liability at 31 March 2008 has been used as the starting figure for the year ended 31 March 2009 and is shown in Table 1. For this reason, the 2007/08 figures in Table 1 differ from the prior year figures in the Balance Sheet.
- 3.6.5 The last full actuarial valuation of the Tayside Superannuation Fund was carried out as at 31 March 2008 and highlighted a deficit. Changes to the 2008 SORP have resulted in a number of disclosures no longer being required. One of these changes was to remove the need to include details of the most recent full actuarial valuation.
- 3.6.6 The actuarial reports for the three defined benefit schemes as at 31 March 2009 recommend that the Employer produce its disclosures based on a full valuation approach at least once every three years, so that the effects of actual experience versus expectations are regularly accounted for.
- 3.6.7 The pension liability has resulted in 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.
- 3.6.8 Given that FRS 17 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 for the preparation of the accounts.
- 3.6.9 As part of the 2007 Spending Review, funding awarded to Forces to cover police officer pension costs was lower than required. Provision for these costs has been made within the wider local authority settlement. For 2008/09 the pension shortfall for all Forces amounted to £17.2 million, of which Tayside Police's share was £1.263 million. The Board negotiated and agreed with the constituent councils a package of measures including budget savings and a contribution from the General Reserve to help finance this pressure in 2008/09.

# Financial

## 3.6 Pensions (Cont'd)

3.6.10 The projected shortfall across all Scottish Forces in 2009/10 and 2010/11 amounts to £40 million and £17.4 million of which Tayside's share is expected to be £2.860 million and £1.6 million respectively. In October 2008, agreement was reached between the Scottish Government and COSLA that the Government would provide an additional £13.355 million towards funding the shortfall in 2009/10. Work undertaken by ACPOS and the Scottish Government identified that a further £14.615 million of the 2009/10 funding gap could be mitigated by centrally pooling the pensions risks, with the Scottish Government accepting the risk of any additional cost. Table 2 summarises these figures, together with Tayside's share.

**Table 2 – Police Pension Funding Gap**

	National £m	Tayside £m
Funding gap	40.201	2.860
Less central pooling	(14.615)	(0.997)
Additional government funding	(13.355)	(0.911)
Net funding gap	12.231	0.952

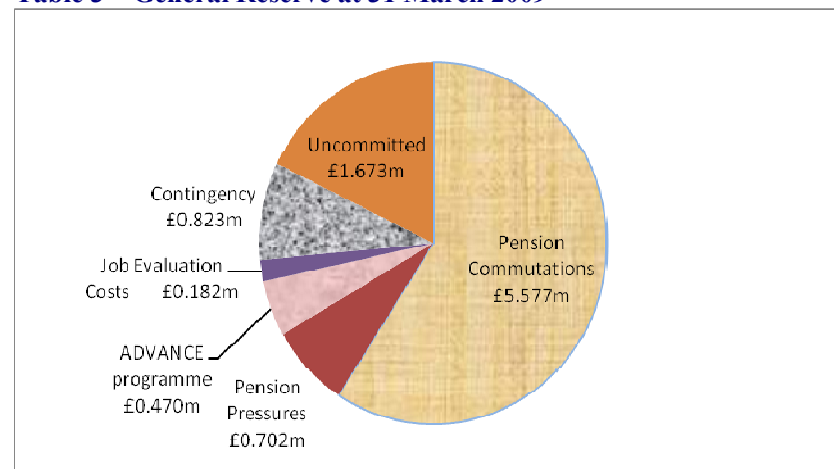
3.6.11 As part of the 2009/10 budget setting process the Board agreed that £0.399 million of the shortfall would be funded from interest on revenue balances. The remainder will be funded from the General Reserve.

3.6.12 The Scottish Government has given a commitment to centralising funding arrangements for Police and Fire pensions. It is hoped that these arrangements will be in place for 2010/11.

## 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 £9.427 million. The balance has increased by £1.797 million in 2008/09 as a result of the adjusted surplus for the year. Table 3 shows the commitments against the Reserve.

**Table 3 – General Reserve at 31 March 2009**



3.7.2 The General Reserve excluding Pension Commutation amounts to £3.850 million, which is well within the 5% maximum statutory threshold.



## 3.8 Capital Expenditure and Funding

- 3.8.1 Capital expenditure is determined by the Board, based on the specific Scottish Government (SG) grants, capital receipts and Prudential Borrowing, if required.
- 3.8.2 The total available funding for the capital programme was £2.764 million made up of the SG capital grant allocation and specific grants of £2.050 million, capital receipts of £0.639 million (including unused capital receipts brought forward from 2007/08 of £0.456 million) and capital contributions totalling £0.075 million provided by various sponsors.
- 3.8.3 The total capital expenditure for the year amounted to £2.141 million: operational vehicles and equipment £1.086 million; operational buildings and land £1.055 million. Unspent capital receipts of £0.623 million are available to help fund capital expenditure in 2009/10. Borrowing was therefore not required.

## 3.9 Capital Accounting

- 3.9.1 A proportion of Scottish Police Service national ICT assets has been recognised for the first time in the Board's balance sheet. These assets have been procured jointly by all Scottish forces and recognised in the accounts of individual Boards in proportion to notional GAE. The Board's share of these national assets was £0.410 million at 1 April 2008, with additions of £0.194 million during the year.
- 3.9.2 All operational buildings and land were revalued, by Graham & Sibbald Chartered Quantity Surveyors, on 31 March 2009. This resulted in £31.437 million being charged to the revaluation reserve. One property was revalued downwards, resulting in a charge of £0.522 million to the Income and Expenditure account. Further details of movements on fixed assets and the related capital accounting entries are disclosed in the accounts.
- 3.9.3 Other movements on fixed assets were additions of £1.055 million on operational buildings and additions of £1.086 million on operational vehicles and equipment. Proceeds from the sale of Monifieth police station and some police vehicles amounted to £0.185 million. These proceeds together with a deferred government grant of £0.026 million gave rise to a gain on disposal of £0.045 million as disclosed in the Income and Expenditure account.
- 3.9.4 Regular capital expenditure monitoring reports against the plans have been submitted to the Board during the year. Details of the main movements on fixed assets for the year and the appropriate capital accounting entries are fully disclosed in the notes to the accounts.
- 3.9.5 We were satisfied with the Board's capital accounting arrangements for 2008/09 and that the entries in the accounts for additions and disposals were not materially misstated.

## 3.10 International Financial Reporting Standards

- 3.10.1 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.
- 3.10.2 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 and joint boards are required to fully adopt IFRS.
- 3.10.3 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.



## 4.1 General

- 4.1.1 The Board and the Audit Sub-Committee met regularly during 2008/09 and both comprised members from the three constituent local authorities in Tayside. The Board is responsible for key aspects of governance including budget setting, making arrangements to secure best value and participate in community planning, review of complaints handling by the Force, appointment of chief officers and scrutiny and challenge of Force performance.
- 4.1.2 The Director of Corporate Services and other key police officers attend the Audit-Sub-Committee to discuss and present reports and are often held to account for implementation of recommendations made by audit to improve internal control systems. Regular updates on Strategic Best Value reviews carried out by the Force are reported to the Audit-Sub-Committee.
- 4.1.3 Kevin Mathieson, was appointed Chief Constable with effect from 7 July 2008. His resignation for personal reasons was announced in June 2009. Justine Curran was appointed Acting Chief Constable in August 2009. She had served as Deputy Chief Constable since February 2009.
- 4.1.4 The Board's Standing Orders and Financial Regulations were last updated in November 2006.

**R1 We recommend that the Board's Standing Orders and Financial Regulations are reviewed and updated on a regular basis to ensure that they remain fit for purpose.**

## 4.2 Annual Governance Statement

- 4.2.1 The Board has a Local Code of Corporate Governance adopted in January 2005. The Chief Constable has specific responsibility for overseeing the implementation and monitoring of the Code and reporting annually to the Board on compliance.
- 4.2.2 The Annual Governance Statement prepared by the Convenor and the Chief Constable is included as section 12 of the 2008/09 audited statement of accounts. It notes a number of areas where further work will be undertaken during 2009/10 to strengthen compliance with the Local Code and concludes *"Accepting that further work will be undertaken in 2009/10..... we are satisfied, based on the evidence and assurances we have received, that the Board's Corporate Governance arrangements are adequate and operating effectively."*
- 4.2.3 Although we are not required to audit compliance with the Board's Code we review this statement and the Board's processes to inform our view of the governance arrangements in place. We are satisfied with the Board's processes and that it has identified the key areas where work is still required to ensure full compliance with the Code.
- 4.2.4 In our *Report to Members and the Controller of Audit 2007/08* we recommended that the Board produce an Annual Governance Statement in place of the Statement on the Systems of Internal Financial Control (SSIFC). Whilst the Board has included an Annual Governance Statement within the 2008/09 audited statement of accounts, the SSIFC has not been withdrawn. The Treasurer reported in the SSIFC that he was satisfied the Board has in place sound systems of internal financial control with no material weaknesses identified. We are satisfied that this statement complies with the 2008 SORP.



## 4.3 Audit Committee

- 4.3.1 The Audit Sub-Committee met quarterly during 2008/09. Members consider the outputs from both internal and external audit work and information from other sources. Both external and internal audit attend to present their reports and answer any questions the members may have.
- 4.3.2 Management provide detailed information to the Audit Sub-Committee on matters such as Strategic Best Value reviews. Responsible officers attend the meetings to answer members' questions. This is designed to generate discussion with members and to increase their involvement with the development of Strategic Best Value reviews.
- 4.3.3 In May 2009, the Board approved changes to the terms of reference of the Audit Sub-Committee. The committee was re-named the Audit & Scrutiny Sub-Committee and membership was extended to nine members, namely Convenor, two Vice-Convenors and two members (including one opposition member) from each of the three constituent councils.

## 4.4 Internal Audit

- 4.4.1 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 reviews of: human resources; key financial controls surrounding payroll, budgeting and creditors; IT security and strategy; and Corporate Governance Annual Audit (assurance statements only). Following review of the files relating to these reports, we concluded that we could place reliance on the work and findings of internal audit.
- 4.4.2 Angus Council is responsible for delivery of the internal audit service to the Board under a service level agreement. The internal audit service was out-sourced to Scott Moncrieff who were appointed on 1 February 2007 to carry out the audit fieldwork for the three year period to 2008/09. In March 2009, the Audit Sub-Committee extended the contract for a further two years, bringing it in line with the current external audit appointments. Scott-Moncrieff report to the Council's Chief Internal Auditor who retains responsibility for the delivery of internal audit services and reporting to the Board's Audit Sub-Committee.

## 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 Data was uploaded by the Board via the new secure upload facility within the required timescale. Matches were available on the secure NFI web application from 11 February 2009, and work began at once. For the first time the trade creditors module was taken, and matches reviewed. No fraud or error was found during the whole exercise.
- 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.
- 4.5.6 Although legislation is not yet in place in Scotland requiring bodies to adopt this approach, it is regarded as good practice. The Board, in conjunction with Dundee City Council which manages the Board's payroll, has put arrangements in place which ensured that the new guidance was complied with before the 2008/09 exercise began.

## 5.1 Strategic Planning and Performance Management

- 5.1.1 Strategic Planning and Performance Management were reviewed by the BV2 team and their findings are due to be published in December 2009.
- 5.1.2 Annual Performance Plans and the Chief Constable's Annual Performance Reports are published and are available on the Force's website; [www.tayside.police.uk](http://www.tayside.police.uk) . The Chief Constable's Annual Performance Report for 2008/09 was submitted to the June 2009 Board meeting.

## 5.2 Single Outcome Agreement

- 5.2.1 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.
- 5.2.2 A report was submitted to the Board in May 2009 to advise members on their role and responsibilities in relation to Single Outcome Agreements. The Board agreed that the Convener should sign the SOA's on behalf of the Board in each of the constituent local authority areas.
- 5.2.3 Further comment on SOAs will be included in the Best Value report due to be published in December 2009.

## 5.3 Efficient Government

- 5.3.1 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 through elimination of waste, bureaucracy and duplication.
- 5.3.2 For 2008/09 to 2010/11, the emphasis has moved from non-cash to cash efficiency savings. The eight Scottish police forces have efficiency savings targets that are incorporated within an overall target for local authorities. A cash efficiency target of 2% cumulative per annum has been set for the public sector. While there is no specific target for Police, there is an expectation that the service will deliver cash efficiencies of 2% cumulative per annum against a baseline of the GAE figures for 2007/08. The Force's cash efficiency target for 2008/09 was £1.31 million.
- 5.3.3 The Board considers its Efficient Government activities within the budget setting processes. In addition, efficiency gains and changes in service provision have been identified from recent Best Value reviews.
- 5.3.4 The efficiencies have been included in the savings recently reported to the Association of Chief Police Officers in Scotland (ACPOS). The savings for 2008/09 are detailed in Table 4 below.

## 5.3 Efficient Government (Cont'd)

**Table 4 – Efficiency Savings**

	Cash releasing £m	Non-cash releasing £m	Total £m
Asset management	0.015	0.007	0.022
Procurement	0.396	0	0.396
Investing in technology	0.013	0.156	0.169
Investing in the workforce	0.030	0	0.030
Joint working	0.090	0.021	0.111
Management Improvements	0.574	0.177	0.751
Absence Management	0.365	0	0.365
Streamlining bureaucracy	0	0.053	0.053
<b>Total Savings</b>	<b>1.483</b>	<b>0.414</b>	<b>1.897</b>

5.3.5 The Force's cash efficiency target for 2009/10 is £2.6 million. We understand that the excess savings of £0.173 million above the 2008/09 target may be used towards the 2009/10 target.

## 5.4 Risk Management

5.4.1 A review of risk management arrangements was undertaken during 2008/09. Following a series of workshops, the Corporate Risk Register was revised and approved by the Force Executive.

5.4.2 The Annual Governance Statement prepared by the Convenor and the Chief Constable notes that further work should be undertaken in 2009/10 to strengthen risk management arrangements:

- The revised Corporate Risk Register should be formally approved by the Board
- Divisional and departmental risk registers should be developed to support the Corporate Risk Register.

## 5.5 Statutory Performance Indicators (SPIs)

5.5.1 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.

5.5.2 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.

# Performance

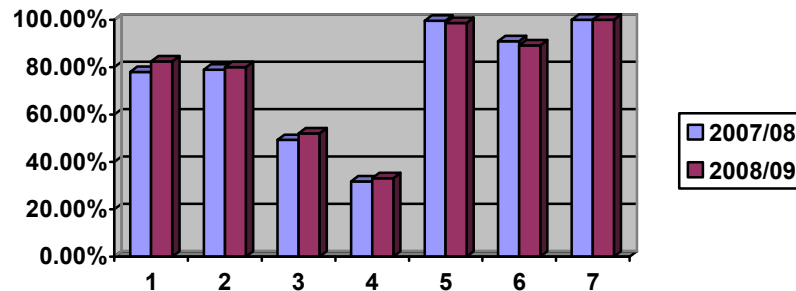
## 5.5 Statutory Performance Indicators (SPIs) (Cont'd)

5.5.3 The Board's overall reported performance for the SPIs this year has seen significant improvements in some areas and is summarised as follows.

### *Percentage of crimes cleared up*

Overall, the percentage of crimes cleared up across each of the seven crime groups has varied slightly in comparison to 2007/08. The majority have increased with only groups 5 & 6 decreasing year on year.

**Percentage of Crimes Cleared Up**



The most noticeable movements in the year are as follows:

- ❑ The largest increase year on year is in Group 1 (crimes of violence). Reported crimes have risen by 14.5% from 608 in 2007/08 to 696 in 2008/09. Of the reported crimes, 576 (82.8%) have been cleared up, compared with 474 (78%) in 2007/08. This is partly due to a change in recording incidents of cruelty to children. Previously multiple incidents involving the same child were grouped together and reported as one crime, but for 2008/09 each separate incident is recorded as an individual crime.
- ❑ Group 3 (crimes of dishonesty) have seen a decrease in the total number of crimes reported, from 13,303 to 12,824 (3.6%). The number of crimes cleared up increased from 6,549 (49.2%) in 2007/08 to 6,675 (52.0%) in 2008/09.

### *Response Times*

In 2007/08 the Board was able to answer 87.7% of all 999 calls within 10 seconds. In 2008/09 performance has improved, with the Force answering 92.8% of all 999 calls within 10 seconds, exceeding the national target of 90%. This improvement has been achieved primarily through the introduction of an audible alert on 999 lines, which activates within the headset of the dispatching members of staff, alerting them even sooner to the presence of a 999 call.

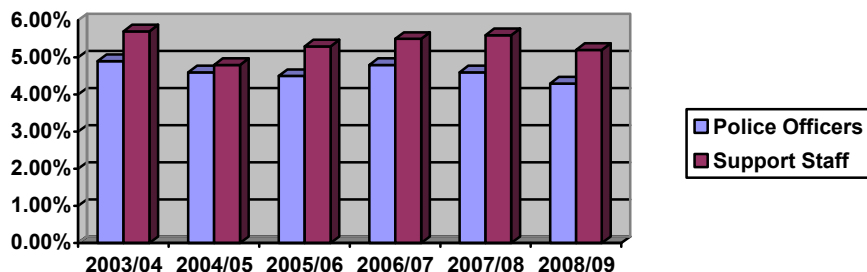




## 5.5 Statutory Performance Indicators (SPIs) (Cont'd)

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

The level of sickness absence for police officers decreased again this year, from 4.6% to 4.35%. The percentage of working time lost due to sickness absence for support staff has also decreased from 5.6% in 2007/08 to 5.2% in 2008/09.



### *Complaints*

This indicator has changed from 2007/08. There are now 6 elements to this indicator where previously only the number of complaints per 100 members of the police force was reported. As these are new indicators there are no comparables for prior years. We can however compare the number of complaints received and the number of complaints per 10,000 incidents recorded. The number of complaints received has decreased in comparison with previous years from 373 in 2007/08 to 346 in 2008/09 an overall decrease of 7.2%. The number of complaints per 10,000 incidents recorded has fallen from 22.8 recorded in 2007/08 to 21.7 in 2008/09.

### *Drug Offences*

Drug seizures in general have decreased substantially in comparison to previous years with the weight of 'class A' drug seizures in the current year decreasing from 32.50kg in 2007/08 to 14.11kg in 2008/09. The number of tablets has increased from 2,707 tablets in 2007/08 to 5,203 in 2008/09. The volume of class A drugs seized has decreased from 772ml in 2007/08 to 343ml in 2007/08, a decrease of 55.6%. The number of offences for supply and possessing with intent to supply class A drugs has increased by 35.6%, from 267 to 362.

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

The number of adults killed or seriously injured in 2008/09 was 230, a reduction of 2.1% on the 2007/08 figure of 235.

There has also been a reduction in the number of children killed or seriously injured, 20 in 2008/09 compared with 25 in 2007/08.

The number of slight injuries fell by 11%, from 957 to 852.

All of these figures exceed the targets set nationally in 2005/06.

## 5.5 Statutory Performance Indicators (SPIs) (Cont'd)

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

A national target of 14 working days after caution / charge has been set for the time taken to submit police reports to the Children's Reporter. Over the last year, performance against this target has decreased slightly from 72.2% to 69.9%, which is well below the 2006/07 national average of 86.0%.

This year new guidelines have been introduced meaning additional assessments in the decision making for appropriate disposal which can be a warning by a police officer, a referral to a partner agency or a referral to Scottish Children's Reporter Administration (SCRA). A number of reports are considered by multi-agency panels which creates a further time delay where the decision by the group is then to make a referral to SCRA. This has led to a significant reduction of referrals to SCRA and maximises available resources.

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 Board performance in this area over the last year has improved, increasing from 77.9% to 86.7%.

## 5.6 National Studies

### *Police Call Management*

5.6.1 Audit Scotland carried out a national study on Police Call Management and issued its report, *Police Call Management – an Initial Review* 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.

5.6.2 The Chief Constable submitted a report to the Board meeting in November 2007 outlining the actions being taken by ACPOS in response to the recommendations contained in the study and also the position in Tayside. Members of the Force Executive will participate in the ACPOS work to develop a national response and produce a local action plan to address any areas where this service to the public can be improved. Progress will be followed over the next year by either Audit Scotland or external audit.

## 5.6 National Studies (Cont'd)

### *Police Call Management (Cont'd)*

5.6.3 A review of the Force Communications Centre (FCC) was undertaken during 2008. The review highlighted a number of issues, including shift patterns that were not matched to demand patterns, scope for improving technology within the FCC and a need to review call handling resources. Changes implemented following the review have resulted in improved service to the public and enhanced performance. As noted in section 5.5 above, in 2008/09 the Force answered 92.8% of all 999 calls within 10 seconds, exceeding the national target of 90%.

5.6.4 In January 2009, the Board approved the move to an 0300 number for non-emergency calls. There is a national target of 40 seconds for answering non-emergency calls. In April 2008, 85% of such calls were answered within the target time. By March 2009, this had improved to 97%.

### *Drug and Alcohol Services in Scotland*

5.6.5 The national report was published in March 2009. It includes a self-assessment checklist, aimed at helping local partners improve the delivery and impact of drug and alcohol services through a joined-up, consistent approach.

5.6.6 Tayside Police's 2009-2011 strategic priorities highlight a commitment to reduce crime and the fear of crime with emphasis on violent crime and alcohol related crime. Tayside Police continue to work closely with its partners to reduce drug related crime and focus on harm reduction and also to improve road safety through a blend of education and enforcement.

### *Improving Public Sector Purchasing*

5.6.7 The national report was published in 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.

5.6.8 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.

5.6.9 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.

5.6.10 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.

5.6.11 As noted in Table 4, the Board reported cash-releasing efficiency savings from procurement of £0.396 million in 2008/09.

## 5.6 National Studies (Cont'd)

### *Improving Civil Contingencies Planning*

- 5.6.12 The national report was issued in August 2009. The study looked at the 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.
- 5.6.13 We will review the Board's progress in addressing the issues raised in the report as part of our 2009/10 audit.



## Action Plan

Para Ref.	Recommendation	Comments	Agreed	Responsible Officer	Agreed Completion Date
4.1.4	<p><b>Governance</b></p> <p>We recommend that the Board's Standing Orders and Financial Regulations are reviewed and updated on a regular basis to ensure that they remain fit for purpose.</p>	<p>These core Governance documents are subject to periodic review and given that 3 years have elapsed since the last review it is appropriate to consider these again. It is intended to conduct this review following publication of the BV2 Audit report in December 2009.</p>	Yes	Clerk (Standing Orders) and Treasurer (Financial Regulations)	April 2010





## 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 in section 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 to 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.

