

Scottish Crime and Drug Enforcement Agency

Report on the 2009/10 Audit to Scottish Crime and Drug Enforcement Agency and the Auditor General for Scotland

November 2010



 AUDIT SCOTLAND



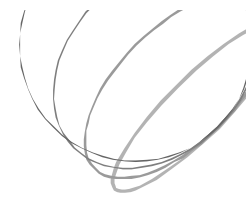
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Key messages

In 2009/10 we looked at the key strategic and financial risks being faced by 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 2009/10. 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

Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight. It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known. Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available. In the current economic climate difficult decisions will have to be made across the public sector about priority spending programmes

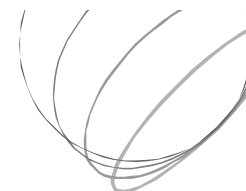
Through SPSA, SCDEA is required to work within the resource budget set by the Scottish Government. Under the Police, Public Order and Criminal Justice (Scotland) Act 2006, SPSA 'maintain' the SCDEA and funding is ring fenced from the SPSA budget for SCDEA costs. SCDEA's resource budget for 2009/10 was £24.913.million and the outturn was £25.110 million resulting in a small overspend of £197,000.

SCDEA budget for 2010/11 of £27.029 million includes an additional £3 million for expansion, which is the second year of the £4 million expansion awarded in June 2009 by the Justice Minister allowing an additional 81 posts to be recruited. While SCDEA has increased funding for 2010/11, they have been developing plans to address the funding scenarios of a 9% reduction in funding for 2011/12 followed by three consecutive years of 5% funding restrictions. SCDEA senior management team have been working on options and assessing the impact of scaled-back operations on SCDEA and stakeholders.

A challenge for SCDEA is to demonstrate efficiencies while maximising the impact and value from the £3 million additional funding awarded for 2010/11.

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 in prior years we have noted the unusual position at SCDEA where the



Chief Executive reports to the Board on all aspects of corporate services for SCDEA, while the Director General of SCDEA reports on operational matters. A new Chief Executive of SPSA started in June 2010.

The Board assessed their governance role of SCDEA with the Director General in September 2009 and approved SCDEA's Five Strategic Plan 2010-2015 in early 2010 which includes plans for review of SCDEA's governance relationship with SPSA.

In October 2010 Audit Scotland's Performance Audit Group published its study on SPSA and comments on developments being undertaken by the new Chief Executive on strengthening the accountable officer arrangements in place.

Performance

The 2009/10 SCDEA Annual Plan consisted of four strategic objectives set by Ministers with 16 targets across the objectives. The majority of targets were met including the number of level three arrests and net value of assets reported for restraint, which both exceeded their target. The target of class A drug seizures of 300kg was not met as SCDEA reported 105kg seized. While this is 65% below target, seizure figures have fluctuated over the past five years, with last year over 1,000kg seized.

A key development for SCDEA over the past couple of years has been the Serious Organised Crime Group Mapping Project which identified the scale and extent of serious organised crime in Scotland. From this, the Serious Organised Crime Task force prepared The Scottish Serious Organised Crime Strategy 'Letting our Communities Flourish' in 2009. Based on this strategy, SCDEA published its Five Year Strategic Plan 2010-2015 in 2010. For 2010/11 SCDEA has set key priorities, outcomes and key performance indicators under each of the strategic objectives.

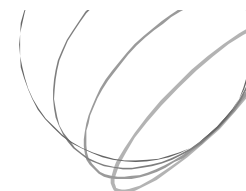
An on-going challenge for SCDEA is to measure the impact of the preventative work undertaken. SCDEA continues to work with the Scottish Centre for Crime and Justice Research and are developing a Disruption Panel model which will measure the impact of intelligence, enforcement and interventions against the capability and harm of serious and organised crime groups.

Looking forward

The final part of our report notes some key risk areas and issues for SCDEA in the future including planning for the move to Gartcosh in 2013, undertaking direct recruitment and demonstrating impact while delivering efficiencies in light of additional funding for 2010/11.

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

**Audit Scotland
November 2010**

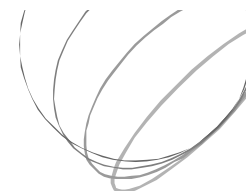


Introduction

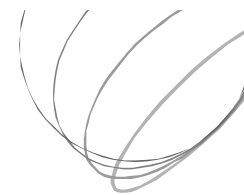
1. This report summarises the findings from our 2009/10 audit of Scottish Crime and Drug Enforcement Agency (SCDEA). The scope of the audit was set out in our Audit Plan in accordance with the Code of Audit Practice, which was presented to the Audit Committee on 17 February 2010. This plan set out our 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 a range of 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 are 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 this has been further developed during 2009/10 with the completion of its bank of best value Toolkits which, although primarily designed for audit use, are available to all public bodies for reference.

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





4. A linked development here has been the Scottish Government's work to refresh its 2006 best value Guidance for Public Bodies. This latter initiative, due for issue later in 2010, will result in clearer guidance to public bodies, and particularly those in the Central Government and Health sectors, on securing continuous improvement in performance, with due regard to the balance between cost and quality.
5. Throughout this report we comment on aspects of SCDEA's arrangements in this area. 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 yet have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report represents a further step towards that goal.
6. 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. Where these have a bearing on the activities, risks or performance of SCDEA, we make reference to these reports in this document. Full copies of the study reports can be obtained from Audit Scotland's website, www.audit-scotland.gov.uk.
7. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by staff and members of 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

8. In this section we summarise key outcomes from our audit of SCDEA financial statements for 2009/10 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

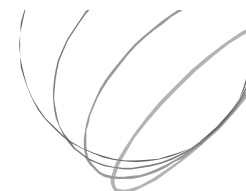
9. We audit the financial statements and give an opinion on:
- whether they give a true and fair view of the financial position of SCDEA and its expenditure and income for the period in question
 - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
 - the consistency of the information which comprises the Introduction, Corporate Social Responsibility, Leadership and Governance, SCDEA Management Commentary and Financial Review within the financial statements
 - the regularity of the expenditure and receipts.
10. We also review the statement on internal control by:
- considering the adequacy of the process put in place by the 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

11. We have given an unqualified opinion on the financial statements of SCDEA for 2009/10.
12. As agreed the unaudited accounts were provided to us on 14 June 2010, supported by a comprehensive working paper package. We concluded our audit within the agreed timetable and provided our opinion to the Audit Committee on 16 September as timetabled.

Issues arising from the audit

13. As required by auditing standards we reported to the audit committee on 16 September 2010 the main issues arising from our audit of the financial statements. The key issues were as follows:



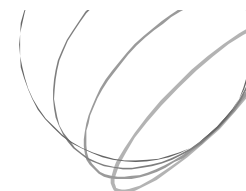
14. **Capitalisation of assets** – the capitalisation policy for SPSA and SCDEA requires capitalising spend on individual items costing at least £5,875 and which yield a benefit to the body for a period of more than one year. In establishing the Scottish Intelligence Co-ordination Unit, SCDEA incurred significant expenditure on items such as cabling/desktops/telecoms etc. but items individually cost less than the threshold and were therefore not capitalised. By capitalising expenditure on groups of assets this can present a fairer picture of spend on items which yield a benefit of more than one year. Also by capitalising groups of assets this provides an opportunity to look at the impact on revenue expenditure, after depreciation and capital charges are taken into account.
15. The accounts were not amended on the basis the expenditure was accounted for in accordance with accounting policies but in 2010 SPSA and SCDEA will review the capitalisation policy to consider whether capitalising groups of assets presents a fairer picture of spend on items which yield a benefit of more than one year to SCDEA.
16. **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.

Regularity

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.

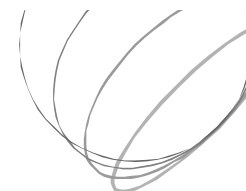
International financial reporting standards (IFRS)

18. UK Government departments and other public sector bodies prepared their accounts in accordance with International Financial Reporting Standards (IFRS) for the first time in financial year 2009/10. The transition arrangements to IFRS required bodies to prepare IFRS shadow accounts for 2008/09, including revised opening balances as at 1 April 2008.
19. During 2009/10 we were required to review the shadow accounts and report on them to SCDEA by 26 February 2010. The purpose of this exercise was to consider whether the shadow accounts had been properly prepared and report any matters that might prevent them forming a reliable basis for the first set of IFRS based accounts in 2009/10.



20. The shadow accounts and supporting documentation for the 2008/09 financial year were submitted by SPSA (who prepared them for SCDEA) for audit for review by the deadline date of 30 November 2009. We made some recommendations for the production of the 2009/10 accounts and considered progress on these when we audited the 2009/10 accounts. One point is still to be addressed although this did not impact on our audit opinion.

21. **Componentisation of finance leases** - SPSA carried out a review of leases and identified five SCDEA properties which should be accounted for as finance leases. The leases were accounted for as assets and depreciated over the length of the lease. Componentisation refers to the separate valuation and accounting of different component parts of assets and under accounting standards. Componentisation is required if each part of an asset has a cost which is significant in relation to the cost of the asset that could lead to different useful lives being attached to these component parts and therefore different depreciation charges. Further analysis is required by SCDEA to assess whether there are significant components of assets under finance leases that require to be separated and depreciated at different rates. SCDEA is due to partially relocate to Gartcosh in 2013 and while SPSA recognise the need to review leases for componentisation, they are considering the practicalities of identifying significant costs relative to the impact.



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's

- financial position
- workforce planning.

Financial Position

Outturn 2009/10

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 2009/10 was £101.136 million, which included SCDEA's ring-fenced resource budget of £24.913.million. In June 2009 SCDEA was awarded £4.0 million over two years to support expansion with £1.0 million allocated to 2009/10 however during the year £1.150 million was returned to the Scottish Government due to projected under-spend. While there is a small overspend against the revised budget SPSA is accountable for the overall spend, which was £100.888 million and within budget.

24. Outturn against revised budget for SCDEA is as follows:

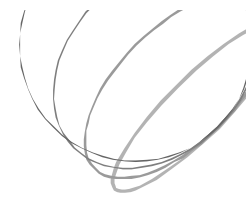
Exhibit 2 – Performance against resource budget 2009/10 (£ million)

Resource Allocation (£million)	Budget	Actual Outturn	Difference
Cash	23.550	23.733	-0.183
Non-cash	1.363	1.377	-0.014
Total	24.913	25.110	-0.197

25. SCDEA's balance sheet at 31 March 2010 shows a net liability of £674,000 compared to a net asset position of £2.892 million at 31 March 2009. The movement is mainly caused by increase on the pension liability of £2.186 million.

Scotland's public finances

26. The Auditor General's report on *Scotland's public finances, published in November 2009*, contained an overview of the financial environment in Scotland and the pressures and challenges facing the



public sector. The aim of this report was to help to inform the debate on the future of public finances in Scotland. The key messages from this report were:

Extract from Auditor General's report *Scotland's public finances*

The public sector is coming under the greatest financial pressure since devolution.

- Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight.
- The Scottish Government and the wider public sector need to work together to develop better activity, cost and performance information. This information is needed to enable informed choices to be made between competing priorities, and to encourage greater efficiency and productivity.

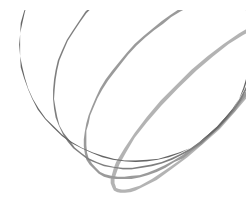
The Scottish Government faces significant challenges in balancing the budget while also delivering on its commitments and meeting increasing demands for public services.

- It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known.
- In many cases, the public sector uses income from various sources to pay for services. Income levels anticipated before the recession are unlikely to be realised, reducing the amount available to spend.
- The Scottish public sector faces significant challenges in balancing its budget while also delivering on its commitments. Changes in Scotland's population and rising unemployment rates will increase demand for public services.
- Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available.

In the current economic climate difficult decisions will have to be made about priority spending programmes.

- The Scottish Government's annual budget is largely developed on an incremental basis which involves making adjustments at the margin to existing budgets. This approach is not suitable for budgeting in a financial downturn because it does not easily allow informed choices to be made about priorities, based on robust information about activity, costs and performance.
- The Scottish Parliament has an important role in scrutinising the government's spending plans. Better information linking spending to costs, activities and service performance, and a rolling programme of performance reviews, would support the Scottish Parliament in fulfilling this role.

27. With SPSA, SDCEA have been working to develop plans to address the funding scenarios of a 9% reduction in funding for 2011/12 followed by three consecutive years of 5% funding restrictions. SCDEA senior management team have been working on options; looking at controllable and non-controllable costs; and assessing the risk attached to the work. For areas assessed as high risk, the impact of scaled-back operations on SCDEA and stakeholders is being considered by SCDEA senior management. In September 2010 SCDEA discussed budget options with the Board but final



proposals will only be formulated once the full scale of cost reductions have been notified by the Scottish Government.

Financial sustainability and the 20010/11 budget

28. SPSA’s budget for 2010/11 of £111.348 million includes a budget for SCDEA of £27.029 million. The combined budget is to be funded as follows:

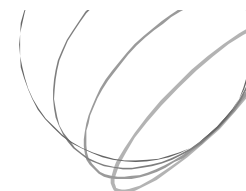
Exhibit 3 – 2010/11 Resource Plan

Limits	Budget
	£million
Cash Grant in Aid for capital and revenue expenditure	99.087
Non-cash Grant-in-Aid	6.633
External income	5.628
Total	111.348

29. The SCDEA budget of £27.029 million for 2010/11 includes £2.745 million for corporate services recharge from SPSA and an additional £3 million for expansion, a significant increase for the organisation, which is further discussed at paragraph 32.
30. Further budget changes for SCDEA to manage include absorbing the now recurring costs of the new operation at Livingston for the Scottish Intelligence Co-ordination Unit and VAT increases. These increases will be off-set by potential decreases in pension costs. Seconded officers account for just over half of SCDEA’s total costs. In the future SCDEA and SPSA will no longer be charged by forces for pension costs associated with seconded officers. The Scottish Government has confirmed their intention to adjust SPSA funding by £3 million to accommodate this change. The impact on the 2010/11 budget for SCDEA is currently being determined.
31. Having a strong budgeting and monitoring regime in place supports organisations to meet their budget requirements. In 2009 we reported that SPSA was planning to procure a new financial ledger system to improve financial reporting but this was delayed and will now be implemented in 2010/11.

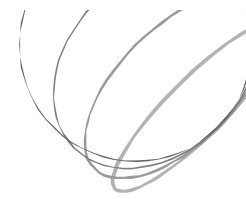
Workforce planning

32. In our 2008/09 Annual Report on the Audit we noted that in June 2009 the Cabinet Secretary for Justice announced additional investment in the SCDEA of approximately £4 million over two years, to allow the Agency to recruit up to 81 additional posts; £1 million for 2009/10 and £3 million for 2010/11. Two-thirds of the additional posts will be police staff and one-third police officers. In 2009/10 SCDEA were allocated £1million but had to return the funding due to under-spending and the limited time



available to recruit staff before the end of the financial year. In respect of the additional posts, 32 staff were employed by 31 March 2010 but the majority only started during late February and March 2010, therefore having little impact on 2009/10 expenditure.

33. SCDEA have experienced problems in the past recruiting seconded officers from police forces and have been working with the Scottish Government, ACPOS and SPSA on the necessary legislative requirements to be put in place so they can begin recruiting directly. In the meantime SCDEA have increased recruitment marketing and run a series of force road shows to encourage recruitment.
34. When there is difficulty in recruiting staff organisations sometimes rely on current staff working additional hours. SCDEA regularly monitors overtime expenditure and time-off-in-lieu (TOIL) balances; 2009/10 overtime expenditure was managed within budget and TOIL balances decreased by 17% from September 2009 to March 2010.
35. SCDEA are in the unusual position of being awarded significant additional funding for 2010/11 but they need to recruit approximately 60 staff to ensure this funding is retained. However, as described above, due to the funding pressures on the Scottish public sector as a whole SCDEA also have to plan for potential reduced staff establishment numbers. While SCDEA have a duty management system in place to support workforce planning, this will be a challenge when the level of staffing is unclear, either due to budget changes or delays in getting staff recruited.



Governance and Accountability

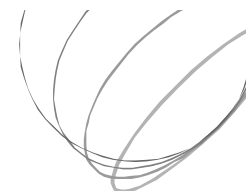
36. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our findings arising from a review of SCDEA arrangements.
37. Increasingly 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

38. 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.
39. Good progress continues to be made in embedding the systems of internal control under review during the year. A new asset system was introduced towards the end of the financial year, replacing the previous spreadsheet system and in 2010/11 SCDEA will test their business continuity plans.

Governance arrangements

40. SCDEA and SPSA report to the one board and board meetings are effectively split into SPSA and SCDEA sessions but with both bodies following the same pattern of Chief Executive/ Director General report and reports on finance, performance, HR and risk management. Strategic priorities are set by the Scottish Government for SCDEA, with strategic direction and control by the Director General, in consultation with a wide range of stakeholders.
41. 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. We have reported in previous years that there have been a number of personnel changes in senior management and Board level at

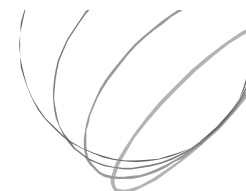


SPSA. This has continued as, in November 2009 the Chair of the Audit Committee left and since the year-end there have been further changes; a new Chief Executive of SPSA joined in June 2010 and the Head of Corporate Management left in October 2010. While there have been a number of changes of the Chief Executive and at Board level, SCDEA's Director General has been in post since January 2008.

42. 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 performance, risk, HR and matters of general interest. This arrangement continues to be considered regularly by the Board and the Director General:
 - In September 2009 the Board considered the governance arrangements review paper completed by the, then, Audit Committee Chair and they concluded there was no need to for change at that time; further consideration would take place when reviewing the strategic plan.
 - At the Board's Strategy Day in February 2010 the Board fully considered SCDEA's Strategic Plan 2010-2015, which includes plans to ask the SPSA Board to review the governance and accountability arrangements for the SCDEA and its governance relationship with SPSA.
 - In June 2010 the Board again considered the level of scrutiny and took assurance from the work carried out to date, the operational responsibility of the Director General; certain Board members had appropriate vetting should in-depth scrutiny be required and that governance reviews were planned as part of the strategic plan.
43. In October 2010 Audit Scotland's Performance Audit Group published its review of SPSA and noted the above complex arrangements. It noted that in order to improve her ability to discharge her duties in respect of her accountable officer responsibilities in relation to the economic, efficient and effective use of SCDEA's resource, the new Accountable Officer and the Director General of the SCDEA had recently developed arrangements to improve the internal governance of SCDEA and we will follow-up these developments in the 2010/11 audit.
44. SCDEA completed an organisational review in February 2010 to incorporate the new Scottish Intelligence Co-ordination Unit and other structural changes were made during the review; the new structure became effective from 1 April 2010.

Systems of internal control

45. 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 procedures which apply to all SPSA business areas and SCDEA; SPSA prepare the financial statements on behalf of SCDEA.

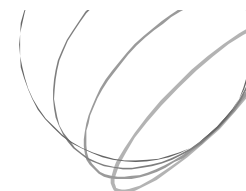
46. In their annual report for 2009/10 PricewaterhouseCoopers, the internal auditors, provided their opinion that based on the internal audit work undertaken during the year, testing confirmed that controls were operating satisfactorily during the period under review except for further business continuity testing required. As noted in the Statement of Internal Control the Director General is reviewing business continuity planning in 2010/11.
47. As part of our audit we reviewed the controls in a number of SPSA systems that impact on the financial statements including trade payables, overtime payments, travel and subsistence claims and the general ledger. Our overall conclusion was that good progress continues to be made in embedding the systems of internal control under review during the year and it will take time to embed the fixed asset system as it was only implemented later in the financial year. We identified a number of areas where controls could be strengthened including SCDEA continuing to work with officers in ensuring subsistence claims are fully supported by receipts. Management agreed to an action plan of improvements and this will be followed up in 2010 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.
48. As mentioned at paragraph 16, SCDEA undertake covert operations and we note that the inspections in February 2010 by the Office of Surveillance Commissioner reported positive results to SCDEA; an action plan with further improvements is being implemented.

Statement on Internal Control

49. 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 SCDEA's approach to this whereby SCDEA follows SPSA's corporate policies but retains operational independence. No significant internal control issues were disclosed in the Statement on Internal Control.

Internal Audit

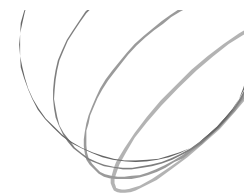
50. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2009/10 audit we assessed 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 number of areas during 2009/10, as we anticipated in our annual audit plan.

Prevention and detection of fraud and irregularities

51. SPSA has appropriate corporate arrangements in place for all business areas and SCDEA, to prevent and detect fraud, 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 (e.g. in August 2010) and HR Committee, respectively. The Deputy Director General has responsibility for all aspects of professional standards, counter corruption and integrity within SCDEA. He has prevention measures in place to reduce the vulnerability of the agency to Compromise from serious organised crime and has initiated a delivery plan to enhance the security and integrity of the SCDEA over the next five years.



Performance

52. 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.

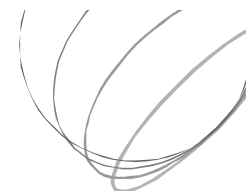
53. In this section we comment on:

- strategic direction
- performance overview
- performance management arrangements
- risk management.

Vision and strategic direction

54. SCDEA published its Five Year Strategic Plan 2010-2015 in April 2010 that sets out the strategic priorities from the Scottish Government; SCDEA are to:

- work with the Serious Organised Crime Taskforce and others to effectively implement the Scottish Serious Organised Crime Strategy 'Letting our Communities Flourish'
- work with ACPOS and other law enforcement agencies to ensure that tactical activity at local and national levels is focussed on those crime groups and individuals that cause the greatest threat, risk and harm to our communities and is designed to disrupt their criminal activities and to enforce legislation to confiscate their profits and seize their assets
- complete work to increase staffing within SCDEA to boost analytical and specialist capability to mainstream organised crime mapping; to provide additional specialist staff; to support law enforcement to ensure the most effective and efficient use of covert and overt assets across Scottish policing; and to work with the Scottish Government to put in place arrangements for direct recruitment of police members
- contribute to the successful delivery of the Scottish Crime Campus at Gartcosh, including helping to realise the full benefits of the project to boost Scotland's capacity to tackle serious

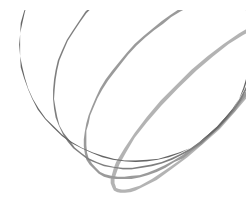


organised crime and ensuring plans are in place to deliver the relocation of SCDEA on time and budget.

55. The Strategic Plan is split into two sections, firstly the next five years and then the next 12 months i.e. 2010/11 and is based upon The Scottish Serious Organised Crime Strategy 'Letting our Communities Flourish' (as mentioned above). This strategy was published in June 2009 and sets the strategic direction for each of the organisations tackling serious organised crime. It has four main objectives:
- **Divert** individuals (particularly young people) from engaging or using the products of serious organised crime.
 - **Disrupt** the activities of serious organised crime groups.
 - **Deter** through measures to protect communities, businesses and the public sector from serious organised crime.
 - **Detect** by boosting capacity and improving coordination to give serious organised criminals no place to hide.
56. For 2010/11 SCDEA has set key priorities, outcomes and key performance indicators under each of the above objectives. An on-going challenge for SCDEA is to measure the impact of the preventative work undertaken and last year we reported that SCDEA was working with the Scottish Centre for Crime and Justice Research to identify potential measurement areas.
57. Under the 'Disrupt' objective for 2010/11 SCDEA will record the number, time and type of SCDEA assistance to forces within agreed delivery dates and how they relate to the target list produced from the Serious Organised Group mapping project. This information will form the baseline for benchmarking against future performance data. A specific target for SCDEA is to disrupt the capability and reduce the harm caused by at least 30 of Scotland's most serious organised criminals and their groups by 31 March 2011. In addition SCDEA are developing a Disruption Panel model which will measure the impact of intelligence, enforcement, interventions against the capability and harm of serious and organised crime groups.

Performance overview

58. The 2009/10 SCDEA Annual Plan was split into the four strategic objectives set by Ministers with 16 targets across the objectives. The 2009/10 SCDEA Annual Report and Accounts describes progress against the targets and the Director General's Annual Report provides fuller information and examples on the work undertaken. In summary, the majority of targets were met including the number of level 3 arrests and net value of assets identified for restraint which exceeded their target. The target of class



A drug seizures of 300kg was not met as SCDEA reported 105kg seized. While this is 65% below target, seizure figures have fluctuated over the past five years as shown below.

Exhibit 3 – Class A Drug seizures

Year	Class A drug seizures
	kg
2009/10	105
2008/09	1,011
2007/08	220
2006/07	77
2005/06	383
Total	

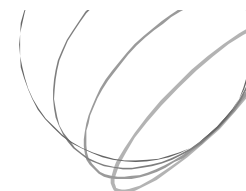
- 59. As in previous years there are two indicators in the Scottish Policing Performance Framework (SPPF) relevant to SCDEA: identifying value of net criminal assets identified for restraint through criminal proceedings by the SCDEA and weight of class A drug seizures. As SCDEA develop their key performance indicators on 'divert' and 'disrupt' work they have sought to have these indicators adopted into the SPPF and are consulting with ACPOS, HMICS and the Scottish Government.

- 60. A key development for SCDEA over the past couple of years has been the Serious Organised Crime Group Mapping Project which identified the scale and extent of serious organised crime in Scotland. In 2009/10 SCDEA established the Scottish Intelligence Co-ordination Unit where the mapping information is now used to inform resource allocation in addition to being part of day-to-day intelligence gathering and dissemination.

Performance management

- 61. Performance is monitored through the quarterly SCDEA Performance Meeting chaired by the Director General and attended by heads of departments and there are monthly meetings to discuss more detailed operations. The SPSA Board review progress by means of the Director General's Board update, risk management and performance reports presented to each Board meeting. Since the year-end the format of the performance report has changed to better align with the four objectives of Divert, Disrupt, Deter and Detect; a detailed report will be submitted quarterly and a more high level report provided monthly.

- 62. In November 2009 we reported that the development of a formal best value approach had not progressed as planned, however the external review of capacity and capability at SCDEA was an example of business review carried out and the SCDEA 2009/10 Annual Plan included plans to conduct a series of Best Value reviews in 2009/10. In the summer of 2010 SCDEA conducted phase



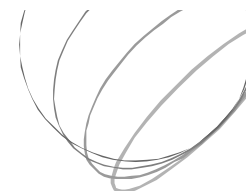
1 of a best value services review looking into internal management processes of meetings, supporting administration and reporting arrangements and to assess for complex or unnecessary bureaucracy, duplication of attendance and information requests. Actions are being implemented with further work to be completed by the end of December 2010.

Risk management

63. As described in the SCDEA Statement on Internal Control, SCDEA follow SPSA's risk management policy, which includes an annual review of the risk management process. A review of the risk management approach was carried out in June 2009 and again in May 2010. SCDEA used to have two risk registers: SCDEA corporate risk register and a second confidential risk register but risks included on the latter register have now been transferred to the main SCDEA Corporate Risk Register in a sanitised format.
64. The SPSA Board review the SCDEA risk register at each Board meeting and at SCDEA the Governance Board review the Corporate Risk register in depth each quarter and the SCDEA senior management team now review it every four weeks. Risk management training was provided in June 2010 to the senior management and Governance Board members.
65. On-going risks for SCDEA to manage include inability to recruit officers, maintaining levels of physical and information security and moving to the Scottish Crime campus at Gartcosh. The risk register documents control measures in place and further action required.

Improving public sector efficiency

66. The Audit Scotland report *Improving public sector efficiency* was published on 25 February 2010. It provided a position statement on the first year (2008/09) of the Efficient Government Programme (the Programme), which aims to deliver £1.6 billion efficiency savings over the three years to 2010/11. It also gave an update on how the Scottish Government and public bodies have addressed the recommendations made in the 2006 report about the previous efficiency programme.
67. The report found that Scottish public bodies reported more efficiency savings than the Government's two per cent target but there are serious financial challenges ahead – the biggest since devolution – and making the required savings through efficiency will become increasingly difficult.
68. The report recommended that to deal with reduced future funding and increase savings, public bodies need to consider fresh approaches to improving efficiency and productivity. They must take a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working.



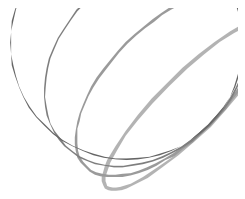
69. The drive to improve efficiency and productivity is not just an exercise for managers and service providers. It requires strong leadership and engagement from the very top of public bodies. Leaders and senior decision-makers within an organisation have a responsibility to check, challenge, monitor and support their organisations in delivering efficiency and productivity improvements. The report's recommendations highlighted areas that public bodies' key decision makers should look at to assess their organisation's development and to challenge existing arrangements (see below).

Extract from Audit Scotland report *Improving public sector efficiency*

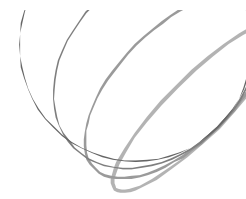
In order to improve the delivery of efficiency savings public bodies should:

- ensure they have a priority-based approach to budgeting and spending
- continue to improve collaboration and joint working, overcoming traditional service boundaries
- consider using alternative providers of services, if these providers can improve the efficiency, productivity or quality of services
- improve information on costs, activity, productivity and outcomes, including setting baselines to measure performance against
- give greater urgency to developing benchmarking programmes
- maintain the momentum of activities and initiatives to improve purchasing and asset management and extend shared services
- ensure there is a joined-up approach to efficiency savings across the public sector, avoiding duplication
- ensure that plans are in place to deliver savings, clearly setting out what action will be taken, the level of savings to be delivered and how these will be measured
- strengthen the involvement of front-line staff, service providers and users in redesigning public services
- reduce reliance on non-recurring savings to meet financial targets and generally use these as part of a wider and longer term strategy
- report efficiency savings consistently.

70. To support these high-level recommendations, Audit Scotland, the Northern Ireland Audit Office and the Wales Audit Office have drawn on their combined experience to develop a detailed good practice checklist. The checklist is intended to promote detailed review and reflection and, if necessary, a basis for improvement. We recommend that those responsible for leading efficiency and improvement work should consider assessing themselves against each question, and recording the results.
71. 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 SCDEA Ideas group. A challenge for SCDEA in 2010/11 is to demonstrate efficiencies while maximising the impact and value from the £3 million additional funding awarded to SCDEA.



Looking Forward

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

- **Budgets and financial management** - Scottish public bodies reported more efficiency savings than the Government's two per cent target in 2008/09 but there are serious financial challenges ahead – the biggest since devolution – and making the required savings through efficiency will become increasingly difficult. To deal with reduced future funding and increase savings fresh approaches to improving efficiency and productivity must be considered, taking a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working. 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 additional staff being recruited.
- **Changes in policing** – SCDEA achieves its strategic objectives through working in partnership with many different public bodies. Following changes in the UK Government and financial pressures on public services there have been structural changes for police bodies in England and Wales e.g. The National Police Improvement Agency and Serious and Organised Crime Agency will merge into the new National Crime Agency; potentially there may be changes in Scotland with the re-structuring of the eight police forces. Continuing to deliver will be a challenge when partner bodies have to focus on their own structural changes.
- **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 2013, SCDEA will partially relocate to Gartcosh to establish their new headquarters and are working with the Scottish Government on their requirements, including areas such as security assurance and telecommunications.
- **National study** – Audit Scotland has published its study on SPSA, which comments on the complex accountability arrangements for SCDEA. In 2010/11 we will follow-up recommendations in the study and their impact on SCDEA.