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Chartered Accountants

Grampian Joint Police Board

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

2010/11

External Audit Report No: 2011-05

Draft Issued: 19 August 2011

Final Issued: 31 August 2011



Contents

	Page
1. Executive Summary	1 - 2
2. Introduction	3
3. Finance	4 – 9
4. Governance	10 - 11
5. Performance	12 - 16
6. Action Plan	17 - 18
Appendix I Respective Responsibilities	19
Appendix II Acronyms	20

Restriction on Use

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

We take this opportunity to remind you that:

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

1. Executive Summary

Finance

1. Our opinion on the financial statements is unqualified. The financial statements:
 - give a true and fair view, in accordance with applicable law and the 2010/11 Code, of the affairs of the Board as at 31 March 2011 and of the income and expenditure of the Board for the year then ended
 - have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as interpreted and adapted by the Code of Practice on Local Authority Accounting 2010/11 (2010/11 Code); and
 - have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
2. The Board's Comprehensive Income and Expenditure Statement reports a surplus on the provision of services for the year of £20.848 million. After making adjustments for items required by statute to be charged to the General Fund, the Board reported a decrease in the General Fund balance for the year of £357,000.
3. Whilst there is a reduction in the General Fund of £357,000, this is after a one-off transfer of the earmarked balance at 1 April 2010 of £2.505 million to the new Police Pension Account. The Board reported an under spend for the financial year of £2.148 million, against a budgeted breakeven position. During the year, the Force maximised savings in order to reduce the financial burden during 2011/12 and beyond.
4. The key risk for the Board in future years is achieving the budget savings set by the Scottish Government. In setting the 2011/12 Budget, the Force identified a funding gap in real terms of 6% or £5.6 million, but given the uncertainty around the staffing levels, some additional flexibility was needed and therefore the budget was based on a real term reduction of £6 million.
5. Although the funding has not yet been announced beyond 2011/12, it is expected that further significant cuts are inevitable. As a result, the Force is looking at a number of longer term budget saving options.

Governance

6. Audit Scotland's Best Value Audit and Inspection Report commented that Board members have a good understanding of their role and that the basic governance arrangements are sound. The Board is aware of where further improvements are required and has been implementing changes to its governance arrangements during 2010.
7. As in 2009/10, the Board has opted not to introduce an Annual Governance Statement during 2010/11, however it has noted in its Statement on the Systems of Financial Control that it is a matter of interest and one that will be supported by the internal reviews and assessments that are on-going. While this has not been designated as statutory proper practice, the Board should be encouraged to include an Annual Governance Statement within its statement of accounts for 2011/12.
8. During 2010/11 the internal audit service was provided by Deloitte and Touche LLP. We confirmed that internal audit was not testing any of the key controls for the main financial systems that impact on the financial statements during 2010/11.



1. Executive Summary

Governance (cont'd)

9. The Board's arrangements to prevent and detect fraud and other irregularities were found to be satisfactory.
10. During 2010/11 we continued to monitor the Force's participation in the National Fraud Initiative (NFI) 2010/11. We will continue to monitor the steps taken by the Force as the 2010/11 NFI exercise develops and will submit a report to Audit Scotland later this year summarising the arrangements in place.

Performance

11. From discussion with management, review of systems and procedures in place and reports produced, we have concluded that there are adequate arrangements in place to report in accordance with the requirements of the Scottish Police Performance Framework.
12. The Continuous Improvement Unit within the Force has carried out work on various topics during 2010/11 which assists the Force in delivering Value for Money through the elimination of inefficiency, unnecessary variability and inflexibility.
13. Appropriate arrangements are in place for monitoring the status and action around each significant risk within the Risk Register, through updates to each Force Executive Board meeting. Reports are also presented to the Stewardship Sub-Committee on a regular basis.
14. The Accounts Commission and HMICS undertook a joint Best Value Audit and Inspection of the Force and the Board during 2010, and published their report in February 2011. The Board considered the report at its meeting in March 2011 and a Joint Improvement Plan was approved by the Board in May 2011. Responsibility for ensuring the delivery of the Joint Improvement Plan is remitted to the Stewardship Sub-Committee.

Acknowledgements

15. This is the final year of our appointment as external auditors. Our audit has brought us in contact with a wide range of staff within the Board. We would like to take this opportunity to place on record our appreciation of the co-operation and assistance extended to us by staff in the discharge of our duties.
16. We will liaise with the Board's incoming auditors to achieve a coordinated handover of the audit and to ensure that the incoming auditors are fully briefed on all relevant matters.



2. Introduction

Introduction

17. We are pleased to submit our annual report, covering significant matters arising during the course of our audit of the Board for the year ended 31 March 2011.
18. The framework under which we operate under appointment by Audit Scotland is as outlined in Section 2 of our **Risk Assessment, Annual Audit Plan and Fee Proposal for 2010/11** (Annual Plan), Report 2010-01 issued on 28 January 2011. The respective responsibilities of members, officers and auditors are set out in Appendix I of this report.
19. 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 (the Code)
 - 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 for securing Best Value; manage its performance in relation to economy, efficiency and effectiveness in the use of resources
 - review and report on the Board arrangements for preparing and publishing statutory performance information
20. Our audit approach focused on the identification of strategic risks and operational and financial risks impacting on the Board.
21. As part of our overall planning approach to the Board's annual audit we carried out a review of the key risks, national and local, facing the Board and reported how we would continue to monitor them during the year through attendance at Board and sub-committee meetings, review of minutes and discussions with officers. The main risks were reported in our Annual Plan and where appropriate we have included an update on these risks in this report. To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management and staff. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.
22. 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 2010-02 issued on 30 May 2011.
23. 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.

3. Finance

Financial Statements Audit

24. We are pleased to report that the target date of 31 August 2011 for the audit completion and certification of the annual accounts was met. We have given an unqualified opinion on the financial statements of the Board for the year ended 31 March 2011.
25. We set out below a summary of the audit certification issues:
- the financial statements give a true and fair view, in accordance with applicable law and the 2010/11 Code of the state of the affairs of the Board as at 31 March 2011 and of the income and expenditure of the Board for the year then ended
 - the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code
 - the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003
 - the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985
 - the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statement.
 - the Statement on the System of Internal Financial Control complies with the 2010/11 Code.
26. Non-compliance with statute or regulations may materially affect the financial statements. Our audit procedures include the following:
- reviewing minutes of relevant meetings
 - enquiring of senior management the position in relation to litigation, claims and assessments
 - detailed testing of transactions and balances
27. We confirm that we did not identify any instances of concern with regard to the legality of transactions or events.
28. We also request written confirmation from the Treasurer and the Deputy Director of Corporate Services that the Board's financial transactions accord with relevant legislation and regulations. They have confirmed that they are not aware of any actual or potential non-compliance with laws and regulations that could have a material effect on the ability of the Board to conduct its business and therefore on the results and financial position disclosed in the financial statements for the year ended 31 March 2011.
29. Under International Standard on Auditing (ISA) 260, we are required to communicate certain matters arising from the audit to those charged with governance. The areas considered are summarised in the following table:

3. Finance

Table 1: ISA260 Reporting

Area	Key Messages
Nature and scope of audit	We have planned our audit in accordance with International Auditing Standards and the Code. Information on our audit appointment and details of the engagement partner and audit staff were outlined in our Annual Plan.
Integrity and objectivity of the audit engagement partner and audit staff	As external auditors, we are required to communicate on a timely basis all facts and matters that may have a bearing on our independence. We provided no consultancy or non audit services to Grampian Joint Police Board during the year and can confirm that we have complied with the Auditing Practices Board Ethical Standard 1 – Integrity, Objectivity and Independence. In our professional judgement the audit process has been independent and our objectivity has not been compromised.
Accounting policies and practices	In our opinion there are no issues that require to be brought to the Board’s attention regarding the appropriateness of the accounting policies.
Material Risk and exposure	<p>Our Financial Statements Audit Plan identified a number of material risks and exposures faced by the Board that we assessed might impact on the Board’s accounts. Comment on these issues is included in paragraphs 42 to 51 within this report, which confirmed that the Board has systems are in place to mitigate these risks.</p> <p>There are no other issues relating to these risk areas that require to be brought to your attention.</p> <p>The Board has confirmed that it has no material risks and exposures which should be reflected in the Financial Statements and the Treasurer has confirmed this in the Letter of Representation.</p>
Audit Adjustments	<p>One significant and one trivial audit adjustment were identified during the course of our audit, and have been adjusted for in the final financial statements, as follows:</p> <ul style="list-style-type: none"> • The Force brought to our attention the need for an adjustment of £168,000 to the Scottish Government debtor in relation to the pensions grant as this had been overstated. This adjustment has reduced the income, and the associated surplus, by the same amount. • An adjustment of £49,000 was required to reverse a revaluation gain against the “Assets Held for Sale” category, as the Board had incorrectly increased the carrying value on reclassification to market value, where the 2010/11 Code requires such assets to be valued at existing use value. This adjustment had no impact on the General Fund balance.
Unadjusted Misstatements	There were no unadjusted misstatements (other than those which are trivial).
Material Uncertainties	<p>There are no material uncertainties relating to events and conditions that cast significant doubt on the Board’s ability to continue as a going concern.</p> <p>The Balance Sheet at 31 March 2011 has an excess of liabilities over assets of £668.676 million due to the accrual of pension liabilities in accordance with International Accounting Standard 19 (employee benefits). The Board has adopted a ‘going concern’ basis for the preparation of the financial statements as constituent authorities of the Board are required under the 1995 Grampian Combined Police Amalgamation Area Scheme Order to meet all liabilities of the Board as they fall due.</p> <p>The Board has confirmed its ability to continue as a going concern in the Letter of Representation and we agree with the basis of preparation of the accounts.</p>
Fundamental Disagreements	There are no areas of disagreement with management that, individually or in aggregate, have a significant impact on the financial statements and our audit report.

3. Finance

Area	Key Messages
Modifications to our audit report	There are no modifications to our audit report.
Material Weaknesses	No material weaknesses in the accounting and internal control systems were identified during the audit which would adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts. Some opportunities to improve internal control were reported in our Financial Statements Audit Plan.
Other matters relevant to the audit	There is one other matter which we draw to your attention. As reported in 2009/10, we identified a number of differences between the schedule of title deeds held by Aberdeenshire Council, on behalf of Grampian Police, and the Fixed Asset Register (FAR). The Force undertook a full review of the title deeds schedule and has written to Aberdeenshire Council in order to identify the reasons for the differences. From the review carried out by the Force, we are satisfied that the Balance Sheet is not materially misstated. Representation has also been obtained from the Treasurer that the FAR is an accurate account of the Board's assets at 31 March 2011. This issue has, however, still to be resolved.

Financial Position and Performance

30. As detailed in the Comprehensive Income and Expenditure Statement, the Board reported a surplus on Provision of Services of £20.848 million (2009/10: deficit of £29.374 million) and a Total Comprehensive Income and Expenditure surplus of £30.013 million (2009/10: deficit of £241.473 million). After making adjustments of £21.205 million through the Movement in Reserves Statement (MIRS) for items required by statute to be charged to the General Fund, the Board has reported a decrease of £357,000, resulting in a General Fund balance carried forward of £3.891 million at 31 March 2011.
31. Financial performance is measured against the financial budget set by the Board in January 2010 for 2010/11. In this regard the Board reported an underspend for the financial year of £2.148 million, against an original budgeted breakeven position. This differs from the £357,000 reported in the MIRS due to the transfer of the earmarked balance at 1 April 2010 of £2.505 million to the new Police Pension Account (see paragraphs 43 and 44), which has been treated as expenditure within the CIES. The base budget spend of £113.347 million set on 22 January 2010 was increased as a result of new grant funding received during the year and carry forwards from 2009/10. As a result of these adjustments, the base budget increased to £115.698 million.
32. During the year, the Force maximised savings in order to reduce the financial burden during 2011/12 and beyond. Although the Force had initially budgeted to maintain Police Officer numbers at 1,600 throughout 2010/11, a decision was subsequently taken to reduce numbers during the year to meet part of the budget reduction. The savings generated within the Police Officer pay budget amounted to £1.204 million. The number of Police Staff employed by the Force also reduced during 2010/11, through a freeze on recruitment for all but the most essential front line posts, deletion of a number of vacant posts and the implementation of another early retiral/ voluntary redundancy scheme. The total cost of the scheme during 2010/11 was £2.4 million and was met from the savings generated from the Police Staff recruitment freeze.
33. A key risk for the Board in future years is achieving the budget savings set by the Scottish Government. In setting the 2011/12 Budget, the Force identified a funding gap in real terms of 6% or £5.6 million, however, given the uncertainty around the staffing levels, some additional flexibility was needed and therefore the budget was based on a real term reduction of £6 million. A base budget spend of £113.930 million for 2011/12 was approved on 21 January 2011.

3. Finance

Financial Position and Performance (cont'd)

34. The following budget pressures were highlighted at the time of setting the 2011/12 budget in January 2011:
- The Force will be required to accommodate a number of inflationary and budgetary cost pressures which are estimated to amount to a further 3.4% over and above the 2.57% reduction in cash terms from the Scottish Government. In real terms, the funding settlement for 2011/12 is therefore 6% less than the equivalent for 2010/11.
 - The Force, like all other Forces, has had to absorb a significant amount of new and emerging demands, both in terms of new crime types but also legislative burdens. It is also embarking upon a process of developing partnership arrangements and facilities for Public Protection Units, which similarly need to be funded from savings elsewhere.
 - The Force expects it will also be required to contend with a number of proposed strategic, economic and infrastructure developments in future years, including the development of the Trump International Golf Links, the Aberdeen Western Peripheral Route and the expansion of Aberdeen Airport. These developments are likely to impact upon the Force and result in additional costs being incurred, although as yet they have not been quantified.
 - There is also the potential for Grampian Police to be allocated Police jurisdiction for offshore renewable installations located out with UK Territorial Waters adjacent to Scotland but within the renewable Energy Zone. This would require the Force to have contingency plans in place to deal with incidents on such installations and specific training delivered to staff in additional skills.
 - By the end of 2011/12, Police Officer numbers are predicted to be around 1,515 which are around the same number as were in post at the end of 2007/08. The numbers must be above the revised baseline of 1,510 on 31 March 2012 to ensure the Force continues to receive the appropriate funding from the Scottish Government.
35. Although the funding has not yet been announced beyond 2011/12, it is expected that further significant cuts are inevitable. As a result, the Force is also looking at a number of longer term budget saving options.

Efficient Government

36. All public sector bodies in Scotland are involved with the Scottish Government's Efficient Government initiative. The initiative is designed to achieve cash and time-releasing savings over a three-year period through elimination of waste, bureaucracy and duplication.
37. The Force has carried out work on various topics including the use of technology to improve productivity, joint working with partners and improving organisational and management practices. Much of this effort will result in cash and non-cash savings in future years, as well as the current year. These gains are re-invested to resource front line services and therefore delivering benefits to the community. The efficiencies have been included in the savings recently reported to the Association of Chief Police Officers in Scotland (ACPOS) and will play a significant role in supporting ACPOS to meet future efficiency savings targets.

3. Finance

Efficient Government (cont'd)

38. The actual savings for 2010/11 against the targets set for the year show that the targets have been significantly exceeded as follows:

	2008/09 £m	2009/10 £m	2010/11 £m
Target	1.675	3.335	5.025
Actual	2.461	4.389	6.490

39. Savings have been achieved as a result of a number of initiatives including:
- Five Custody Officer posts in Aberdeenshire and a further five in Elgin have been civilianised. This has freed up Police Officers to support other duties.
 - Property sales in Aberdeen, Banchory and elsewhere, along with associated utility bill costs have each resulted in savings of over £250,000 being generated.
 - A new Police Service Agreement and office refurbishment at Aberdeen Airport, together with an increased payment towards staff costs has resulted in savings of almost £200,000.
40. In November 2010, the Comprehensive Spending Review 2010 set targets for 2011-2014 of 3% year on year per annum from the allocated budget.

Material Risks and Exposures

41. Our Financial Statements Audit Plan identified a number of material risks and exposures faced by the Board that we assessed might impact on the Board's accounts. The following paragraphs summarise these issues along with other issues we identified during the audit and how they have been resolved.

International Financial Reporting Standards

42. From 2010/11, local authority and joint board accounts must be prepared in accordance with International Financial Reporting Standards (IFRS). Authorities needed to restate the 2009/10 comparative information onto an IFRS basis, and disclose a restated 1 April 2009 IFRS-based Balance Sheet. We reviewed the opening balance sheet and 2009/10 restatement templates and reported our findings in our **Opening IFRS Balance Sheet and 2009/10 Shadow Accounts Templates Review** Report 2011-03, issued on 12 May 2011.

43. From our audit of the draft accounts, we are satisfied that the comparative information has been accurately restated and that the 2010/11 financial statements have been prepared in accordance with IFRS.

Police Pension Account

44. New funding arrangements were introduced for Police Officers pensions from 2010/11. A Police Pension Account (PPA) was required to be set up and is maintained by the Force. Payments into and out of the PPA is determined by regulations which require to be observed as representing proper accounting practice. The PPA records the cost of pensions each financial year, and any surplus or deficit on the PPA at the end of a financial year is transferred to the General Fund.

3. Finance

Material Risks and Exposures (cont'd)

Police Pension Account (cont'd)

45. The Board has prepared a PPA, which is disclosed in Note 38 to the accounts. We can confirm that this has been prepared in accordance with the statutory guidance, and that the General Fund balance earmarked at 1 April 2010 of £2.505 million has been transferred into the PPA, as a one-off transfer.

Remuneration Report

46. The Local Authority Accounts (Scotland) Amendment Regulations 2011 requires authorities to prepare a remuneration report as part of its annual accounts from 2010/11. The Board has included this report at pages 15 to 18 of the accounts, and we are satisfied that the report has been properly prepared in accordance with the Regulations.

Severance Schemes

47. The Board has included a provision of £1.421 million in its accounts to cover the anticipated costs associated with the voluntary redundancy/ early retirement scheme for Police staff. The provision has been made for those staff who applied for the scheme and were successful, prior to 31 March 2011, but will leave the Force during the financial year 2011/12.

Scottish Police Services Authority (SPSA) – ICT Procurement

48. The SPSA was brought fully into operation on 1 April 2007, when it acquired full statutory powers, duties and functions. Responsibility for the Forensic Service passed from the Force to SPSA from 1 April 2007 and the ICT function transferred on 1 April 2008. Whilst the costs associated with the provision of Forensic services are borne by SPSA directly with no recharge to the Force, the funding for the purchase of ICT goods and services transferred to the Scottish Government.

49. An Agency Agreement is now in place between the Force and the SPSA to procure ICT equipment. The SPSA place orders and pay invoices for ICT goods and services on behalf of the Force. The Force reimburses the SPSA for these costs, and reclaims the monies from the Scottish Government. It is important for Forces to have sound controls in place in relation to the ordering, receipt and payment of ICT equipment to ensure that only goods ordered and received are paid for. Assurances have been received from the auditors of the SPSA regarding the costs included in the Force's financial statements, and we are satisfied that these costs have been accounted for correctly.

Pension Costs – change from RPI to CPI

50. In response to the UK government's announcements in July 2010 of the intention to move to using the CPI as the inflation measure for determining the minimum pension increases to be applied to the statutory index-linked features of retirement benefits, the UITF issued an abstract which gives guidance on replacing the RPI with the CPI for retirement benefits. The Board's Actuary has provided all of the disclosure requirements in respect of this, and has resulted in both the Pension Scheme liability and the Injury Award liability reducing materially in comparison with previous years.

2010/11 Code Disclosure

51. A completed CIPFA Disclosure Checklist was received at the time the draft accounts were prepared. This confirmed that the accounts met the Code disclosure requirements in all material respects.

4. Governance

Corporate Governance and Internal Control Arrangements

52. The Board and the Stewardship Sub-Committee met regularly during 2010/11 and both comprised members from the three constituent local authorities in Grampian.
53. Audit Scotland's Best Value Audit and Inspection Report made the following comments regarding the Board's governance and accountability arrangements:
- *"Board members have a good understanding of their role and the basic governance arrangements are sound. The board is aware of where further improvements are required and has been implementing changes to its governance arrangements during 2010".*
 - *"The Board does not currently have an operational independent custody visiting scheme in place".*
54. As noted at paragraph 88, the Board and Force have developed a Joint Improvement Plan to address the issues raised in this report.

Annual Governance Statement

55. As reported in our 2009/10 Annual Report, in June 2007, CIPFA in association with SOLACE published the revised Framework – Delivering Good Governance in Local Government. This recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement. The Board has opted not to introduce this during 2010/11, however has noted in its Statement on the Systems of Financial Control that it is a matter of interest and one that will be supported by the internal reviews and assessments that are on-going. While this has not been designated as statutory proper practice, the Board should be encouraged to include an Annual Governance Statement within its statement of accounts for 2011/12. (See also Follow-up Action Plan at Section 6)

Internal Audit

56. The Board does not have an internal audit service in house. During 2010/11 Deloitte and Touche LLP provided the internal audit service for the Board. For 2010/11 the indicative programme of internal audit work included five projects and a follow up review of prior year reports.
57. 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 2010/11 we confirmed that internal audit was not testing any of the key controls for the main financial systems that impact on the financial statements.

4. Governance

Prevention and Detection of Fraud

58. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.
59. At a corporate level, the Board has appropriate arrangements in place to help prevent and detect fraud and irregularity. These arrangements include, for example, an anti-fraud and corruption strategy, a whistle blowing policy and codes of conduct for elected members and staff. Overall we concluded that arrangements were generally satisfactory to prevent and detect fraud and other irregularities.
60. We are required to have arrangements in place to be notified of all frauds over £5,000 and to submit reports to Audit Scotland. No such frauds were reported during 2010/11.

National Fraud Initiative

61. During 2010/11 we continued to monitor the Force's participation in the National Fraud Initiative (NFI) 2010/11. 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 to help identify and prevent a wide range of frauds against the public sector, including occupational pension fraud and payroll fraud.
62. Work to investigate the data matches uploaded to the NFI secure website in January 2011 is ongoing and a number of matches have been investigated and the outcomes recorded on the NFI web application. However, it was noted that a number of NFI reports have no comments as yet. No fraud or error has been identified to date in 2010/11. Responsibility for investigating the remaining open matches is clearly defined and work will continue until all matches are fully investigated and closed off. We will continue to monitor the steps taken by the Force as the 2010/11 NFI exercise develops and will submit a report to Audit Scotland later this year summarising the arrangements in place.

5. Performance

Arrangements for Performance Management

63. In accordance with section 13 of the Local Government in Scotland Act 2003 and associated regulations and guidance from Scottish Ministers the Board must:
- publish the information specified in the schedule to the Direction for all those activities which are carried out by the body
 - ensure that publication facilitates the making of comparisons where appropriate and possible with performance in 2009/10
64. The Accounts Commission has extended the reporting requirements of the 2008 Direction to include reporting year 2010/11. The 2008 Direction represented a significant shift in approach to the statutory performance indicators (SPIs) in recognition of the changing environment in which local authorities and police and fire services are operating. This includes the development of SOAs, increased self-evaluation and an agenda to reduce the overall volume of scrutiny.
65. The 2008 Direction is given by the Accounts Commission for Scotland (“the Commission”) under section 1(1)(a) of the Local Government Act 1992, which requires the Commission to direct relevant bodies (including Grampian Joint Police Board) to publish such information relating to their activities in any financial year or other specified period as will, in the Commission’s opinion:
- “facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness and of securing best value in accordance with section 1 of the Local Government in Scotland Act 2003) between –*
- i. the standards of performance achieved by different relevant bodies in that financial year or other period; and*
 - ii. the standards of performance achieved by such bodies in different financial years or, as the case may be, other periods”.*
66. The 2008 Direction requires each Police Board to report in accordance with the requirements of the Scottish Policing Performance Framework (SPPF). The SPPF is divided into four areas, designed to capture the breadth of policing activity. The four areas are:
- Service Response
 - Public Reassurance and Community Safety
 - Criminal Justice and Tackling Crime
 - Sound Governance and Efficiency
67. As set out under Section 99(d) of the Local Government (Scotland) Act 1973 (as inserted by Section 3(2) of the Local Government Act 1992), our duty as auditors of the Board is to be satisfied that the Board *“has made adequate arrangements for collecting and recording information, and for publishing it, as are required for the performance of their duties”.*
68. From discussion with management, review of systems and procedures in place and reports produced, we have concluded that there are adequate arrangements in place. The following paragraphs summarise the basis of arriving at this conclusion.
69. All indicators are set nationally through the SPPF. Technical Notes are produced to accompany this to ensure that indicators are calculated consistently (where possible) across each Force. Representatives from each Force attend a Performance Practitioners Group (PPG) which co-ordinates the development and maintenance of the indicators and aims to standardise procedures across the forces, to ensure that data is comparable.

5. Performance

Arrangements for Performance Management (cont'd)

70. Grampian has set its own baseline traffic light indicators to aid comparison and reporting of performance. Its baseline targets are the average of the previous three years, with the aspirational target being the best figure achieved during the previous three years. This provides useful information to allow the Board to assess how performance is changing.
71. The Force has produced a “Quarterly Reporting: A Practical Guide” which defines, describes and provides guidance for the Quarterly Reporting process. Business Areas are required to collate and submit only one report each quarter, which helps minimise any duplication or inconsistencies in statistical reporting required at a national level. The Business Area Quarterly Reports are then used for the following:
- Internal Business Area Management
 - Regular review by the Force Executive
 - Quarterly Reporting to the Force Executive Board and the Joint Police Board, collating national and local indicators and summarising performance against Force Priorities. The Annual Report is also incorporated into this process, which provides a public statement to the Joint Police Board on Annual Force performance
 - Scottish Government statistical returns (SPPF Quarterly returns)
 - ACPOS Quarterly Performance Reports
72. The Force has also produced “Public Performance Reporting (PPR): A Practical Guide”, which is a source of reference on the background and statutory responsibilities placed on Grampian Police. The guide outlines how the PPR process is dovetailed with the Quarterly Reporting process, and provides practical advice to Business Areas on the aims and methods used to collate information and what it is required for.
73. All Quarterly Reports and the Annual Report, for the Force are available through the Force’s website. The Force-wide reports are also presented in the public session of the Joint Police Board meetings. These reports present the current years data along with previous years, and make narrative comments where comparisons can be made nationally.
74. The indicators for 2010/11 have been published on the Force website by the statutory deadline of 30 September 2011 and within the Force’s Annual Report for 2010/11.
75. Audit Scotland’s Best Value Audit and Inspection Report made the following comments regarding the Board and the Force’s performance management and improvement arrangements:
- *“Board members actively scrutinise force performance using quarterly performance reports. The Board’s public performance reporting and prioritisation and monitoring of continuous improvement activity is limited”.*
 - *“The Force’s performance reporting arrangements are well structured. Performance reports would support scrutiny and public performance reporting more effectively if they included more comparative information and were more balanced in reporting negative performance”.*
 - *“The Force is committed to service improvement and carries out targeted internal reviews and inspections, which are focussed around force priorities”.*

As noted at paragraph 88, the Board and Force have developed a Joint Improvement Plan to address the issues raised in this report.

5. Performance

Arrangements for Achieving Continuous Improvement

76. The Continuous Improvement Unit (CIU) aims to assist all parts of the Force make improvements in the way they do business by reviewing systems and processes, technology and facilities to maximise effective service provision. By demonstrating continuous improvement through the elimination of inefficiency, unnecessary variability and inflexibility, the CIU assists the Force in delivering value for money.
77. Prioritisation of work is aligned with Force priorities, national priorities and any current HMICS inspections. Reviews during 2010/11 have included:
- SCoPE Business Benefits – Detailed process mapping and measurements across a number of key areas are currently being captured, which will allow the Force to form a baseline and then identify benefits after the implementation of the SCoPE system (a national HR system).
 - Legal Documents – A review of Legal Documents has been carried out, the overall aim of which was to undertake a review to identify any areas for improvement which, when implemented, would ensure the Department meets current and future demand. Eleven recommendations have been made to support a corporate approach to the recording and processing of legal documents and the development of a training package for Police Officers serving legal documents.
 - Divisional Crime Management Units – This review recommended a central unit to replace the Divisional Crime Management Units. The Quality Review Unit has assumed responsibility for audit and review on thematic aspects of force performance relating to crime and incident recording, providing overall governance and monitoring of SCRS crime recording and STORM incident reporting standards.

Risk Management

78. The Full Risk Register was presented to the Stewardship Sub-Committee in June 2011, and was collated from risks identified within the 2011/12 Force Business Plans. All risks documented within Business Plans are included in this register. All significant risks will continue to be reported to the Force Executive Board on a monthly basis throughout the year. Reports are also presented to the Stewardship Sub-Committee on a regular basis.
79. All local and partnership projects (including project proposals) have now been risk assessed in relation to the impact on the Force if they fail to deliver. Work will be ongoing throughout the year to incorporate a risk assessment to the Force, of national projects.
80. Emerging issues are also reported as part of the risk register to highlight any potential risks the Force may encounter in the future. These take into account political, economic, social, technological, environmental, legal and organisation considerations. They can also be focussed at a local, national or global level.
81. Audit Scotland's Best Value Audit and Inspection Report noted that "*the Force has a well-developed approach to risk management*".

5. Performance

HM Inspectorate of Constabulary for Scotland (HMICS)

82. HMICS wrote to all Chief Constables advising of the requirement to complete a self evaluation exercise for 2010/11 by 28 January 2011. The Force has adopted the BV2 Audit and Inspection as the evaluation of the Force for 2010/11 and the resulting Improvement Plan identified areas for improvement.
83. Updates on previous HMICS Thematic recommendations are presented to each cycle of the Stewardship Sub-Committee. A report was presented to the June 2011 Committee which noted that there are currently 11 outstanding HMICS Thematic action plans. Eleven recommendations have been approved by the Force Executive Board as complete during the period, 14 recommendations have been completed and will be presented for approval at the Force Executive Board in July 2011 and 4 recommendations remain ongoing.
84. The report to the June 2011 committee also noted that since Andrew Laing has taken over as Her Majesty's Inspectorate of Constabulary in Scotland, HMICS has begun a process of reviewing all of the outstanding Thematic Inspections published since 2007. The Force understands that HMICS's intention is to provide guidance notes on inspections to Police Authorities Joint Boards to assist in their role of oversight and scrutiny.

Best Value 2 (BV2)

85. The Accounts Commission and HMICS undertook a joint Best Value Audit and Inspection of the Force and the Board during 2010, referred to as Best Value 2 (BV2). The report was published in February 2011.
86. HMICS's overall assessment was that the Force is performing well and demonstrates many of the elements of best value. Levels of public satisfaction are high and improving and, overall, crime rates in the area are falling. However, it reported that it is unclear why recorded instances of racially motivated crime and complaints against the police have increased and the Force should make further efforts to understand and explain this. The report also states the Force should make efforts to calculate how much individual policing activities cost to help it work with the Board to make difficult decisions on future priorities and where money should be spent in the future.
87. The Accounts Commission's conclusions were that the Board works well to meet the needs of local communities. It reported that it has a positive partnership with the Force and together they have developed a shared vision for policing in the area and a clear set of priorities. However, with public finances tight the Board should develop its longer-term financial planning and scrutiny roles to ensure the best use of resources. It could also do more to help identify savings through partnership and shared services initiatives. The Board should also make sure that arrangements for an effective independent custody visiting scheme are implemented quickly. At present, the Board is the only police authority in the United Kingdom not to have an operational scheme in place.
88. The Board considered the report at its meeting in March 2011 and a Joint Improvement Plan was approved by the Board in May 2011 which sets out each of the improvement actions, assigns ownership as appropriate and suggested how the required improvements will be achieved. Responsibility for ensuring the delivery of the Joint Improvement Plan is remitted to the Stewardship Sub-Committee. Regular reports will therefore be provided to the Committee updating Members as to progress against the agreed action points. A further report will be submitted to the Board once the Improvement Plan actions have been fully implemented.

5. Performance

Audit Scotland National Studies

89. Audit Scotland planning guidance directs us to provide information on how the Board has responded to national reports, with the nature and level of information required varying across different studies and different bodies. From our review of Audit Scotland's publications in the last year, the only national study specific to police services is detailed in paragraph 93 below.
90. Audit Scotland published a national **Scottish Police Services Authority** (SPSA) report in October 2010. This report covered the role of the SPSA, what they have delivered to date and what they need to do meet the challenges ahead. Several recommendations were highlighted for consideration by the SPSA and Scottish Government. There were no specific recommendations for Forces to address.
91. The following studies have also been published which are relevant to all public sector bodies.
- Improving Energy Efficiency: A Follow-up Report (published December 2010)
 - An Overview of Local Government in Scotland 2010 (published January 2011)
 - Management of the Scottish Government's capital investment programme (published January 2011)
 - The cost of public sector pensions in Scotland (published February 2011)
 - Scotland's public finances: responding to the challenge (published August 2011)
92. To promote impact at a local level, one or two national performance audit reports are subject to a more targeted follow-up each year. For 2010/11, we were directed to follow-up *improving public sector purchasing* and summarised our findings in our **Improving Public Sector Purchasing Follow-up Report**, Report 2011-04, issued on 22 June 2011.



6. Action Plan

Follow-up 2009/10 Action Plan

Recommendation	Management Response	Progress at August 2011
<p>R1. The Force should carry out a full reconciliation of all property held on its FAR with Title Deeds held with Aberdeenshire Council (and the other constituent authorities), investigating all differences, to ensure that all records are accurate.</p>	<p>Discussions are on-going with Aberdeenshire Council to resolve the matter; however, it will be necessary for the Council to consider this as a priority. It is envisaged that there will be no amendment to the fixed asset register.</p> <p>To be actioned by: Head of Logistics</p> <p>No later than: 31 December 2010</p>	<p>Although the issue has been highlighted as a priority, the Force is reliant upon the Council to progress the matter. From the initial meetings held with Council, it is evident that there will be a significant amount of work required to reconcile the list of title deeds with the Force's property portfolio (detailed within the asset register).</p> <p>Revised target date: 31 March 2012</p>
	<p style="text-align: center;">Grade B</p>	
<p>R2. Consideration should be given to producing a single Annual Governance Statement for inclusion within the 2010/11 Financial Statements.</p>	<p>This recommendation will be considered by the Force.</p> <p>To be actioned by: Chief Superintendent – Development and Governance</p> <p>No later than: 31 March 2011</p>	<p>It is unlikely that there will be an immediate change given other priorities, however the Force will continue to review the matter.</p> <p>Revised target date: 31 March 2012</p>
	<p style="text-align: center;">Grade B</p>	
<p>R3. An Annual Investment Strategy should be prepared and approved by the Board. Processes should then be put in place for the preparation of an Annual Investment Report and a mid-year review. This process should incorporate consideration by the Stewardship Sub Committee or another relevant scrutiny body.</p>	<p>A paper will be prepared for the next meeting of the Stewardship Sub-Committee.</p> <p>To be actioned by: Senior Financial Accountant</p> <p>No later than: 31 October 2010</p>	<p>Complete.</p>
	<p style="text-align: center;">Grade B</p>	



6. Action Plan

To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Fundamental issues that require immediate consideration of senior management
- B Significant issues that required the attention of line management.
- C Less significant matters that do not require urgent attention but which should be followed up within a reasonable timescale.



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 Financial Statements are set out on page 12 of the Financial Statements. Our responsibility is to form an independent opinion, based on our audit, on the abstract of accounts and report that opinion to you.

We are required to review whether the annual governance statement reflects compliance with the Code, and we report if, in our opinion, it does not. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the corporate governance procedures or its risk and control procedures.



Appendix II – Acronyms

ACPOS	Association of Chief Police Officers in Scotland
BV2	Best Value 2
CIPFA	Chartered Institute of Public Finance and Accounting
CIU	Continuous Improvement Unit
CPI	Consumer Price Index
FAR	Fixed Asset Register
HMICS	Her Majesty's Inspectorate of Constabulary for Scotland
ICT	Information and Communication Technologies
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
LLP	Limited Liability Partnership
MIRS	Movement in Reserves Statement
NFI	National Fraud Initiative
PIPG	Performance Indicators Practitioners Group
PPA	Police Pension Account
PPR	Public Performance Reporting
RPI	Retail Price Index
SOA	Single Outcome Agreement
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice
SPI	Statutory Performance Indicators
SPPF	Scottish Police Performance Framework
SPSA	Scottish Police Services Authority
UITF	Urgent Issues Task Force