

# Lothian and Borders Police Board

## Annual Report on the 2010/11 Audit



Prepared for the Members of Lothian and Borders Police Board and the Controller of Audit  
October 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Contents

<b>Key Messages .....</b>	<b>4</b>
2010/11 .....	4
Outlook.....	4
<b>Introduction.....</b>	<b>5</b>
<b>Financial Statements .....</b>	<b>6</b>
Audit opinion .....	6
Accounting issues .....	7
Outlook.....	9
<b>Financial Position .....</b>	<b>10</b>
Financial results .....	10
Outlook.....	11
<b>Governance and accountability .....</b>	<b>12</b>
Overview of arrangements in 2010/11 .....	12
Prevention and detection of fraud and irregularities.....	13
Standards of conduct and arrangements for the prevention/ detection of bribery and corruption .....	14
Outlook.....	14
<b>Best Value, use of resources and performance.....</b>	<b>15</b>
Performance management and reporting .....	15
Outlook.....	17
<b>Appendix A: Action Plan .....</b>	<b>18</b>

# Key Messages

## 2010/11

We have audited the 2010/11 financial statements and looked at aspects of performance management and governance, including the key financial risks faced by the Lothian and Borders Police Board (the board). This report sets out our main findings, summarising key outcomes from the 2010/11 audit and the outlook for the period ahead.

Overall we found the financial stewardship of the board during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- we have given an unqualified opinion on the financial statements of the board
- the board complied with International Financial Reporting Standards (IFRSs) in all material respects
- matters arising from the audit have been included in the ISA 260 report to those charged with governance on the 2010/11 audit
- we have concluded that board governance arrangements are adequate
- Internal Audit concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the board's internal control system
- the board needs to complete following up matches identified by the National Fraud Initiative 2010/11
- the boards procurement arrangements were reviewed and found to be sound
- performance continues to be monitored effectively during the year with some areas requiring further action.

## Outlook

Key issues for the board in the future include:

- Contributing towards the successful establishment of a single Scottish Police force which, subject to the necessary legal and parliamentary processes, will replace all of the current police boards in due course
- delivering continuous improvement in service delivery and use of resources in the face of increasing financial constraints.

Issues for the attention of members are outlined in an Action Plan included at appendix A of this report.

# Introduction

1. This report summarises the findings from our 2010/11 audit of the board. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements), conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. Appendix A is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. Members should ensure that they are satisfied with the proposed management actions and have a mechanism in place to assess progress.
3. This report is addressed to the members and the Controller of Audit and should form a key part of discussions with the Audit and Scrutiny Committee. This report will be published on our website after consideration by the board.
4. The management of the board is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

# Financial Statements

5. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
6. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland and give an opinion on:
  - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
  - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
7. Auditors review and report on, as appropriate, other information published with the financial statements, including the explanatory foreword, the annual governance statement and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit of the financial statements.
8. The board's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. We are pleased to record that working papers provided to support the financial statements were of a higher quality than those presented in 2009/10. The accounts were certified on 30 September in accordance with agreed timescales.

## Audit opinion

9. We have given an unqualified opinion that the financial statements of Lothian and Borders Police Board for 2010/11 give a true and fair view of the state of the affairs of the board as at 31 March 2011 and of the income and expenditure for the year then ended.

## Legality

10. Through our planned audit work we consider the legality of the board's financial transactions. In addition, the Treasurer confirmed that, to the best of her knowledge and belief, and having made appropriate enquiries of the board's management team, the financial transactions of the board were in accordance with relevant legislation and regulations. There are no additional legality issues arising from our audit which require to be brought to members' attention.

## Annual governance statement

11. We were satisfied with disclosures made in the annual governance statement and the adequacy of the process put in place by the board to obtain assurances on the systems of internal control.

## Remuneration report

12. We are satisfied that the remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Act 1985 and Scottish Government finance circular 8/2011.
13. The disclosures within the 2010/11 financial statements include all eligible remuneration for the relevant force officers and elected members.

## Accounting issues

14. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010 Code). We are satisfied that the board prepared the 2010/11 financial statements in accordance with the 2010 Code with the exception of the inventories valuation methodology. This is a departure from the 2010 Code, and is disclosed within the accounting policies; however, we are satisfied that this practice does not have a material impact on the value in the financial statements.
15. The board has adjusted the financial statements to reflect audit findings. As is normal practice, relevant matters arising and unadjusted errors have been reported to the Treasurer via our letter issued in line with International Standard on Auditing 260 (ISA 260) - *Communication of audit matters with those charged with governance*. Details of accounting and financial reporting issues which arose during the course of our audit are summarised below.

## Prior year adjustment

16. As noted above, the 2010/11 financial statements have been prepared in accordance with the 2010 Code which is now based on International Financial Reporting Standards (IFRS) instead of the previous practice of preparing financial statements under UK Generally Accepted Accounting Practice (GAAP). This transition required a prior year adjustment to the 2009/10 audited financial statements and the restatement of the 1 April 2009 opening balance sheet position. The main areas that required restatement include the treatment of capital grants, the inclusion of an accrual for employee benefits such as annual leave and the classification of leases.
17. A further change to the opening balance sheet was required as a result of the reported pension liability. In previous years, the actuaries (Hymans Robertson) calculated the liability associated with injury benefits on the basis of benefits currently in payment. In 2010/11, to better reflect the overall future liability, the basis was changed to include an estimate of active members who may be paid benefit in the future. This action has resulted in an additional £35 million being included within the pension liability and the pension reserve.
18. These changes have resulted in the net liability position of the board as at 31 March 2010 changing from £1,666.84 million to £1,690.85 million; however, the accounting nature of these adjustments means that there has been no change to the usable reserves of the board.

### Going concern

19. The board's balance sheet as at 31 March 2011 discloses an excess of liabilities over assets of £1,543 million (2009/10: £1,691 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 future liabilities will be met, as they fall due, by government grant and contributions from constituent authorities under the Combined Police Area Amalgamation Scheme 1995. The Treasurer has provided formal assurance, in the letter of representation, as to the board's ability to continue as a going concern.

### Vehicle depreciation

20. We reported in our 2009/10 governance report that the vehicle replacement programme had been accelerated to a three year period; the accounting policy within note 1 of the accounts reflects this decision. However, within the financial statements, vehicles are being depreciated over 6 years. Officers have agreed that while there will be an element of undercharging to the comprehensive income and expenditure account, this is not likely to be material as vehicles are not being routinely replaced after the three year period. Confirmation has been received from the treasurer that depreciation has not been materially misstated. Officers have agreed to review this process going forwards.

**Refer Action Plan No. 1**

### Capital accounting

21. Per the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, the revaluation reserve is built up from individual balances for each asset and should not carry any negative balances (representing a downward revaluation). Our review of the revaluation reserve identified one asset with a negative valuation (£107,000) which should have been charged to the income and expenditure account with a corresponding opposite entry to the movement in unusable reserves to negate the impact. The ultimate outcome of the entry would be to effect changes to the revaluation reserve and capital adjustment account.
22. As there would be no change to the net worth of the police board as a result of this adjustment, it was agreed with management that no change need be processed in 2010/11. The balance should be subject to a full review to ensure that it is properly stated moving forwards.

**Refer Action Plan No. 2**

### Short term creditors

23. The board has some responsibility in relation to trust funds which are separate legal entities and which have been included within short term creditors in the balance sheet. Two of these are registered charities and one of which is subject to internal audit review and certification. Depending on the element of control and influence between the parties, certain information is required to be disclosed within the financial statements. This includes the nature of the relationship, the amounts involved and objectives of the major funds. We have discussed the



matter with management and agreed that appropriate disclosure will be made in the 2011/12 financial statements.

### **Movement in the pension liability**

24. In accordance with pensions accounting standard IAS19 'Employee Benefits' the board has recognised its share of the net liabilities for the pension funds in the balance sheet. The valuation at 31 March 2011 provided by the scheme's actuaries reduced the board's share of the net liabilities by £155 million at 31 March 2011. The large decrease is primarily due to a change in one of the financial assumptions, with future pensions' increases now linked to the consumer prices index (CPI) rather than the retail prices index (RPI).

### **Other issues**

25. With 2010/11 being the first year of IFRS adoption by the board, the length and complexity of the financial statements has increased and this has in some respects made them more challenging for readers to appreciate the key aspects of the board's finances. Notwithstanding the need to comply with relevant accounting standards and codes of practice, there may be scope in some areas (for example in relation to financial instruments) to reduce and simplify the nature and extent of disclosures currently provided in the financial statements.

**Refer Action Plan No. 3**

26. While detailed audit testing confirmed that debts written off were independently authorised and that write off action appeared appropriate, we noted that the write-off of debts are not formally approved by senior management nor is information provided to the Audit and Scrutiny Committee on the level and detail of amounts written off. We consider this independent approval to be an effective control for ensuring that all appropriate follow-up actions have been progressed prior to concluding that the debt is irrecoverable and that senior officers and members are kept apprised of the situation.

**Refer Action Plan No. 4**

## **Outlook**

### **Audit appointment for 2011/12**

27. Audit appointments are made by the Accounts Commission, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment and we would like to thank officers and members for their assistance during the last five years. The procurement process for the next five years was completed in May 2011. From next year (2011/12) Audit Scotland will again be the appointed auditor for Lothian and Borders Police Board but a different audit team will be in place. We look forward to continuing the good working relationships that exist.

# Financial Position

28. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
29. Auditors consider whether audited bodies have established adequate arrangements and examine:
  - financial performance in the period under audit
  - compliance with any statutory financial requirements and financial targets
  - ability to meet known or contingent, statutory and other financial obligations
  - responses to developments which may have an impact on the financial position
  - financial plans for future periods.
30. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results

31. The comprehensive income and expenditure statement records an excess of income over expenditure of £10.601 million (2009/10: net expenditure £212.701 million). This change since 2009/10 is wholly as a result of changes to the way in which pension liabilities of the board are accounted for as discussed above.
32. Following adjustment of the reported net position to reflect differences in the statutory accounting requirements and management accounting practice (disclosed at note 12 of the financial statements) a surplus of £4.8 million is recorded against budget.
33. The Treasurer summarises performance against budget in the foreword to the financial statements. The major underspends against budget included police pay and overtime, service running costs and an over-recovery of income. These favourable variances were partially offset by additional costs for police staff following the introduction of a voluntary redundancy scheme.
34. As at 31 March 2011, the general fund balance is £10.585 million of which £6.1 million has been earmarked against future commitments. Future commitments include a £2 million contribution to the Lothian Pension Fund in order to reduce future pension contributions for civilian staff employed by the board. The remaining balance of £4.5 million is in accordance with the level agreed by the board. We consider that the level of unallocated general fund balance held by the board is adequate and that year end balances are within the limits set by the Scottish Government for police boards.
35. Capital expenditure in 2010/11 was approximately £5 million (2009/10: £11 million). This reduction in capital expenditure reflects the completion of major capital projects in 2009/10 with no comparable projects in 2010/11 and the lower levels of funding available.

## Workforce reduction

36. Lothian and Borders Police Board introduced a voluntary redundancy scheme during the year. 107 members of staff accepted voluntary severance at a cost of £2.29 million the majority of which would provide payback to the Force within 12 months. Further detail relating to the 2010/11 programme is given in Note 13 of the financial statements.

## Outlook

### 2011/12 budget

37. The board, like all public sector organisations, faces a very challenging financial climate. Budget savings required in 2011/12 are far in excess of those needed in previous years and this requires strategic planning and the implementation of sustainable measures to balance the budget, including rigorous monitoring.
38. The 2011/12 revenue budget has been set on the basis of a 2.6% reduction in local authority requisitions and specific government grant. However, it is considered by management that the model used by the Scottish Government for the basis of the grant distribution is flawed resulting in the board receiving a lower level of grant. In addition, the ongoing costs of police officer injury benefits are to be paid by police authorities. While some £1.1 million has been returned to the board to fund these ongoing costs, management estimate that that the true cost is closer to £1.9 million resulting in an overall shortfall in grant. Discussions are currently ongoing with the Scottish Government regarding these issues.
39. As a consequence of the above the board has reviewed its reserves strategy and agreed to apply £1 million towards non-recurring revenue expenditure in 2011/12.

### Financial forecasts beyond 2011/12

40. Looking ahead, it is clear that the outlook for public spending for the period 2012/13 to 2013/14 remains very challenging. The high level figures for Scotland that were announced in the UK Comprehensive Spending Review indicate that significant budget reductions will be required in these years. The challenge to the board will be to continue to deliver vital public services, to improve efficiency and maintain police officer numbers in communities all within a reducing budget.

**Refer Action Plan No. 5**

# Governance and accountability

41. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
42. Each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs, including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
43. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
  - corporate governance and systems of internal control
  - the prevention and detection of fraud and irregularity
  - standards of conduct and arrangements for the prevention and detection of corruption.
44. In this part of the report we comment on key areas of governance.

## Overview of arrangements in 2010/11

45. Corporate governance is concerned with structures and processes for decision making, accountability, control and behaviours at the upper levels of the organisation. The board has a responsibility to put in place arrangements for the conduct of the affairs of the organisation, to ensure the legality of activities and transactions, and to monitor the adequacy and effectiveness of those arrangements.

## Internal control

46. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
47. No material weaknesses in the accounting and internal control systems were identified during the audit which could 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 financial statements.
48. As part of our work, we took assurance from key controls within the board's financial systems. The results of our review of key controls were reported to the Audit and Scrutiny Committee in August 2011. Areas where key control improvements could be made have been discussed with officers and have either already been implemented or will be implemented in due course.

There were no significant weaknesses which required disclosure in the annual governance statement.

## Internal Audit

49. Internal audit holds a key role in the board's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. The board's internal audit service is provided by the City of Edinburgh Council's Chief Internal Auditor. Our review of internal audit found that the work is conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government, that the audit plan was sufficient and that all work on which we planned to place reliance was completed and the relevant assurances obtained. We formally reviewed specific internal audit exercises of relevance to our audit opinion in order to reduce the level of detailed audit testing that we carried out in order to comply with auditing standards.

## Systems of internal control

50. As noted above, an Annual Governance Statement was included within the financial statements. The board has put in place arrangements, detailed in the Local Code, for monitoring each element of the framework and providing evidence of compliance. A Principal Officer within the board has been nominated to review the effectiveness of the Local Code and will report annually to the board.
51. The review of the effectiveness of the board's governance framework, including the system of internal financial control, is informed by senior management, the Treasurer, and internal and external auditors.
52. The Treasurer has provided the Chief Executive and Chief Constable with a statement on the adequacy and effectiveness of the board's internal financial control system for the year ended 31st March 2011. It is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the board's internal control system. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.

## Prevention and detection of fraud and irregularities

53. The board has arrangements in place to prevent and detect fraud, corruption and inappropriate conduct. These arrangements include standing orders and financial regulations, a whistle blowing policy, an anti-fraud and corruption policy and codes of conduct for elected members and staff. We are pleased to note that the Board continues to have appropriate arrangements in place to minimise the risk of fraud and corruption. Each year, Audit Scotland gathers information on such cases of fraud identified by audited bodies. In 2010/11 there were no such cases reported for the board.

## National fraud initiative

54. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent

a wide range of frauds against the public sector. In reviewing progress by the board with respect to the review and follow up of data match reports in the NFI application we found that the board still has some way to go before the 2010/11 NFI exercise is complete. It is important that the board completes its follow up of NFI matches. In addition the Audit and Scrutiny Committee should be advised of the outcome of the board review and in due course, should be advised of the national outcome as reported in Audit Scotland's national report.

**Refer Action Plan No. 6**

## **Standards of conduct and arrangements for the prevention/detection of bribery and corruption**

55. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the arrangements in the board are satisfactory and we are not aware of any specific issues that we need to report.

## **Outlook**

### **Restructuring of the police service**

56. In September 2011 the Minister for Justice announced to the Scottish Parliament that all police forces in Scotland will be merged into a single national service. The Scottish Government is currently consulting on its proposals to create a single police force. While the timescales for this change has yet to be finalised, there are significant implications for the board during the transition period.
57. The board should consider what arrangements should be put in place to ensure there is proper governance for decisions relating to the transfer of staff, assets and other resources to the new organisation, as well as continuing to exercise its statutory responsibilities in relation to the continued delivery of police services.

**Refer Action Plan No. 7**

# Best Value, use of resources and performance

58. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
59. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning.
60. During 2011, Lothian and Borders Police Board and Police Force were subject to a best value and inspection audit which was undertaken jointly by HMIC and Audit Scotland. The results of this review have been submitted in draft to board officers and members for consideration. It is anticipated that the agreed report will be published in December 2011. We are aware that best value arrangements continue to develop within the board.

## Performance management and reporting

61. We reviewed the board's arrangements for public performance reporting and found them to be adequate in all material respects. There are regular comprehensive performance reports to the board the audit and scrutiny committee and stakeholders.
62. We reviewed arrangements that the board has in place with respect to the collection, validation and reporting of performance information to the Scottish Policing Performance Framework (SPPF) and found them to be adequate.
63. However, the board is not able to compile one performance measure included within the SPPF. The information required for one indicator, the percentage of formal police warnings accepted, is not calculated as the necessary administrative records are not retained. The inability to produce this indicator has no operational impact because all cases where a formal police warning is not accepted result in a report to the Procurator Fiscal for further consideration.
64. The chief constable reported that improved performance overall reflected the positive impact of the focus on prevention as a key strategic objective. In particular there have been reductions in crime and disorder when compared to prior years. However, during the year management have investigated particular areas of performance concern. These included sickness absence management for police staff and customer satisfaction survey results. In seeking reasons and investigating sickness absence management, follow up established that there were a variety of detailed reasons, including a small number of long term sickness absence cases which distort the results. In considering satisfaction survey results including feedback from citizens, the board is actively considering results in detail with a view to learning lessons and seeking ways to improve where possible. Actions to address any performance concerns are being developed.



65. Whilst the frequency and depth of performance reporting to members is good these reports only relate to performance by the board and do not include performance data from other police boards. Comparative performance information can be a useful aid to members and stakeholders in assessing the board's performance.

**Refer Action Plan No. 8**

### **Transforming the Service**

66. The main initiative to drive forward efficiencies and service improvement was the Transforming the Service (TTS) project. This project has a number of work streams which aims to seek savings. Regular updates are submitted to the board.
67. The managing overtime work stream has now concluded and it is estimated that £1.3 million of cashable savings will be generated from it in 2011/12. This work stream challenged prevailing local custom and practice regarding overtime and introduced additional approval mechanisms for limiting overtime. Management recognise that anticipated savings may be at risk in the event of major incidents that operationally may require overtime. It is a credit to management that changes have been made in this area without operational levels of police cover or operational readiness of the force in general being impacted.
68. Work streams relating to restructuring, investigating major crime, responding to demand and divisional savings are in progress. Work stream conclusions regarding prioritising prevention, people policies and income generation have been adopted as business as usual. The shared services work stream has been put on hold given the prospect of structural change for policing in Scotland.
69. In addition we noted the introduction of a voluntary redundancy scheme during the year where 107 police staff accepted voluntary severance. The challenge going forward will be to ensure that staff morale is not adversely affected and that the service is maintained.

### **Procurement**

70. During the 2010/11 audit of the board we carried out a follow up to a national Audit Scotland report on procurement in July 2009. This entailed reviewing the board's latest Procurement Capability Assessment return and assessing action taken by the board in response.
71. Our report, currently in draft form with management, noted that overall the board's procurement arrangements were good. In our report we made two recommendations. Firstly that procurement arrangements be subject to internal audit review and secondly that the board works more closely with other public sector bodies regarding supplier vetting.

### **National performance reports**

72. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of direct interest are detailed in Exhibit 1 below.



### Exhibit 1: A selection of National performance reports 2010/11

- Scottish Police Service Authority (October 2010)
- An overview of Local Government in Scotland 2010 (January 2011)
- The cost of public sector pensions in Scotland (February 2011)
- Grampian Police and Grampian Joint Police Board Best Value Audit (February 2011)
- Strathclyde Police and Strathclyde Police Authority Best Value Audit (July 2011)
- Scotland's public finances: addressing the challenges (August 2011)
- Overview of Scotland's justice system (September 2011)

## Outlook

73. The challenge to the board will be to maintain levels of service with reducing police staff numbers, level or increasing police officer numbers but within a reduced budget. In addition, there is a further possibility that the economic recession could result in an increase in criminal activity and anti-social behaviour which would place a further burden on the board as it seeks to manage the resources available against the needs of citizens and communities.

# Appendix A: Action Plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	20	<p><b>Vehicle depreciation</b></p> <p>The vehicle replacement policy and the charging of depreciation should be aligned.</p> <p><b>Risk:</b> <i>Services users have been incorrectly charged for the use of assets.</i></p>	Existing accounting policy to be reviewed to ensure depreciation is aligned to vehicle replacement programme.	Head of Finance	March 2012
2	22	<p><b>Capital accounting</b></p> <p>The capital reserves should be fully reviewed to ensure they reflect the correct accounting entries.</p> <p><b>Risk:</b> <i>There is a risk that the capital accounting reserves are incorrectly stated.</i></p>	Full reconciliation of capital reserves to be undertaken.	Head of Finance	March 2012
3	25	<p><b>Financial reporting</b></p> <p>The financial statements are long and complex and there may be scope for the board to simplify or reduce the nature and extent of disclosures in some areas</p> <p><b>Risk:</b> <i>There is a risk that the financial statements are longer and more complex than they need be.</i></p>	For 2011/12 consideration will be given, in consultation with the external auditors, of reducing or simplifying the nature and extent of disclosures in the financial statements. .	Head of Finance/Audit Scotland	February 2012
4	26	<p><b>Debt write off</b></p> <p>Write off of bad debts are not approved at a senior level nor are they presented to the board for information or approval.</p> <p><b>Risk:</b> <i>There is a risk that debt</i></p>	The Force adopts the Board approved Bad Debt Financial Regulation where the Force Finance Officer is authorised to write off a maximum of £10,000 and any sum	Director of Resources/ Head of Finance	February 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<i>write off action may not be approved at a sufficiently senior level and that write off action is taken before all necessary steps have been taken to pursue the debt.</i>	where a company is in liquidation or is untraceable. However, the formal sign off process by the Force Finance Officer will be reviewed.		
5	40	<p><b>Future funding and efficiencies</b></p> <p>The board needs to plan for reduced resources and possibly increased demand for services as a result of the economic recession.</p> <p><b>Risk:</b> <i>Savings and efficiency gains are not realised leading to service cuts and a failure to deliver continuous improvement.</i></p>	The TTS Programme will continue to operate during 2011/12 and 2012/13 with the objective to deliver the required efficiencies and savings with minimum impact to frontline service delivery. Regular TTS Programme Board meetings and reports to the Police Board will ensure that progress on delivery of savings and the potential risks will be constantly monitored and communicated.	Deputy Chief Constable	Ongoing
6	54	<p><b>NFI</b></p> <p>The board's work in relation to following up NFI matches is in progress and needs to be completed. The results of NFI should also be reported to the audit and scrutiny committee.</p> <p><b>Risk:</b> <i>There is a risk that matches may not be adequately followed up and that the deterrent effect of the NFI exercise is not maximised. In addition the audit and scrutiny committee, in their governance capacity, may not be given any positive assurance from the NFI</i></p>	The NFI application will be updated to indicate how all matches arising have been assessed and resolved. Furthermore, consideration will be given to tabling the national NFI report to the audit and scrutiny committee along with a summary of the results of the exercise of the board in due course.	Head of Finance	March 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<i>review.</i>			
7	57	<p><b>Proposed restructure of police services</b></p> <p>Business as usual needs to be maintained in the lead up to any restructuring.</p> <p><b>Risk:</b> <i>Service delivery and overall governance is affected by uncertainty.</i></p>	The Force is committed to delivering its Strategic Objective of Community Wellbeing in the Lothian and Borders area. Senior Management meetings will ensure service delivery continues as a priority and the governance provided by the Board will be delivered through the respective sub committees and full Board meetings.	Chief Constable/ Convener	Ongoing
8	65	<p><b>Performance reporting</b></p> <p>Performance reporting to members only relates to performance by the board and do not include performance data from other police boards.</p> <p><b>Risk:</b> <i>The lack of comparative performance reporting to the board gives rise to a risk that members are not given sufficient context to fully appreciate board performance relative to other police boards in Scotland.</i></p>	Performance reporting in force is currently under review with the objective being to improve reports issued to the Board and in Force. It is acknowledged that comparative performance with other police boards would be beneficial to the scrutiny function. This has been unachievable to date as the information to compare performance over the same period is difficult to obtain from other Boards. This is an area that is under review.	Deputy Chief Constable	April 2012