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Chartered Accountants

Tayside Joint Police Board

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

2010/11

External Audit Report No: 2011-05

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Restriction on Use

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

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Tayside Joint Police Board and the Corporate Governance 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 IFRS-based Code of Practice on Local Authority Accounting, of the state of affairs of the Board and have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
2. An IFRS-based Code of Practice on Local Authority Accounting replaced the SORP from 2010/11. As required by the Code, the Board has restated 2009/10 comparative information onto an IFRS basis, and has disclosed a restated 1 April 2009 IFRS-based balance sheet.
3. The Board's Comprehensive Income and Expenditure Account shows a surplus on the provision of services of £12.738 million (2009/10 restated, deficit £27.065 million). The Total Comprehensive Income and Expenditure for the year shows a surplus of £87.053 million (2009/10 restated, deficit £246.809 million).
4. The Board's Movement in Reserves Statement shows a decrease in the General Reserve of £3.724 million, of which £3.286 million relates to the transfer of the amounts earmarked for pension commutations from the general reserve to the police pension account.

Governance

5. In our 2008/09 Annual Report, we recommended the Financial Regulations be reviewed and updated on a regular basis to ensure they remain fit for purpose. Updated Financial Regulations were considered and approved by the Corporate Governance Sub-Committee in September 2010 and by the full Board in November 2010.
6. The Annual Governance Statement (section 10 of the annual accounts) confirms that the Board's corporate governance arrangements are adequate and operating effectively. Our audit work provided us with assurance over the Board's processes for producing the statement. We are satisfied that the statement complies with the requirements of 'Delivering Good Governance in Local Government'.

Performance

7. 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.
8. Following publication of the Best Value report, a number of steps have been taken to improve performance management. A Force Governance Framework and three year planning cycle was approved by the Force Leadership Team in April 2010 and came into effect on 1 April 2011.
9. An update on the Best Value Improvement Plan (BVIP) was submitted to the Corporate Governance sub-committee in June 2011. 17 of the high level actions for the Force in the BVIP have now been implemented and most of the actions for the Board have been implemented. Further work is needed to develop training for members on roles and responsibilities and the Board's duties in relation to Best Value and Community Planning.



1. Executive Summary

Acknowledgements

10. 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.

11. We will liaise with the Board's incoming auditors throughout the handover period, 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

12. We are pleased to submit our fifth Annual Report, covering significant matters arising during the course of our audit of the Board for the year ended 31 March 2011.
13. The framework under which we operate under appointment by Audit Scotland is outlined in Section 2 of our **Risk Assessment, Annual Audit Plan and Fee Proposal for 2010/11** (Annual Plan), Report 2011-01 issued on 27 January 2011. The respective responsibilities of members, officers and auditors are set out in Appendix I of this report.
14. Broadly the scope of our audit was to
 - provide an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission
 - review and report on the Board's corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, prevention and detection of corruption, and the Board's financial position
 - review and report on the Board's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources and in securing Best Value
 - review and report on whether the Board has made adequate arrangements for collecting, recording and publishing prescribed performance information
15. Our audit approach focused on the identification of strategic business risks and operational and financial risks impacting on the Board.
16. 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.
17. 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 2011-03 issued on 25 May 2011.
18. From 2010/11, local authority and joint board accounts must be prepared in accordance with International Financial Reporting Standards (IFRS). Authorities are required to disclose a restated 1 April 2009 IFRS-based Balance Sheet and restate the 2009/10 comparative information onto an IFRS basis. 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 2011-02, issued on 12 May 2011.
19. 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.



2. Introduction

20. 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

21. We have given an unqualified opinion on the financial statements of the Board for the year ended 31 March 2011.

22. 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 Practice on Local Authority Accounting 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 prepared in accordance with the requirements of 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 Treasurer's Report for the financial year for which the financial statements are prepared is consistent with the financial statements

23. We are also required to report if in our opinion:

- adequate accounting records have not been kept
- the financial statements are not in agreement with the accounting records
- we have not received all the information and explanations we require for our audit
- the Annual Governance Statement does not comply with Delivering Good Governance in Local Government
- there has been a failure to achieve a prescribed financial objective

We have nothing to report in respect of these matters.

24. 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

We confirm that we did not identify any instances of concern with regard to the legality of transactions or events.



3. Finance

25. We also request written confirmation from the Treasurer and the 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 Joint Board to conduct its business and therefore on the results and financial position to be disclosed in the financial statements for the year ended 31 March 2011.
26. 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 table below:

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 of Audit Practice. 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 Tayside 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 is one issue that requires to be brought to your attention regarding the appropriateness of the Board's accounting policies and practices. On 25 August, we were advised by Audit Scotland that in 2010/11, the actuaries changed the basis on which they calculate the liability associated with injury benefits. This represents a change in accounting policy, which requires a prior year adjustment. The accounts were revised to reflect this.
Material Risk and exposure	Our Financial Statements Audit Plan issued on 25 May 2011 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 40 to 53. There are no other issues relating to these risk areas that require to be brought to your attention.
Audit Adjustments	Two material and three significant audit adjustments were identified during the course of our audit of the financial statements. The Board agreed to adjust the accounts. A prior year adjustment note was added to the accounts for the change in the liability associated with injury benefits. Further details of these adjustments are included at Appendix II. Definitions of material, significant and trivial are provided at Appendix III. Adjustments were made to the Remuneration Report, to replace the P11D estimates with actuals and some changes were made to the notes to the accounts, to ensure full compliance with the Code.
Unadjusted Misstatements	There were no unadjusted misstatements (other than those which are trivial).



3. Finance

Material Uncertainties	<p>There are no material uncertainties related to events and conditions that cast significant doubt on the Board's ability to continue as a going concern.</p> <p>The Board's Balance Sheet at 31 March 2011 has an excess of liabilities over assets of £571.276 million (31 March 2010 £658.329 million) due to the accrual of pension liabilities in accordance with International Accounting Standard 19 (IAS 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 Tayside 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.
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, issued on 25 May 2011.
Other matters relevant to the audit	There are no other matters specifically required by other auditing standards which need to be communicated.

Financial Position and Performance

27. The first two sections of the Comprehensive Income and Expenditure Account (CIES) record the net cost of services and the surplus / deficit on provision of services. These are similar to the net cost of services and the surplus / deficit for the year that would have been disclosed in the UK GAAP Income and Expenditure Account. The Board's income from taxation and non-specific grants of £71.463 million exceeded its net operating expenditure of £58.727 million, resulting in a surplus on provision of services for the year of £12.736million.
28. The final section of the CIES is similar to the Statement of Total Recognised Gains and Losses under UK GAAP. The surplus on provision of services is adjusted for other comprehensive income and expenditure (the surplus / deficit on revaluation of fixed assets and the actuarial gains / losses on pension assets / liabilities) to arrive at the total comprehensive income / expenditure for the year. For 2010/11, the CIES shows a surplus of £87.053 million on total comprehensive income / expenditure.
29. This reported surplus is carried into the Movement in Reserves Statement and is then adjusted by £16.460 million for items required by statute and non-statutory proper practices to be credited to the General Reserve. The net impact of these adjustments is a decrease in the General Reserve Balance of £3.724 million for the year, reducing the General Reserve Balance carried forward to £4.265 million as at 31 March 2011.

3. Finance

30. Details of the adjustments made are reported in Note 4 to the accounts on page 35 of the Audited Statement of Accounts. These adjustments are due to the Board being required to consider funding elements of expenditure on a different accounting basis, including capital investment which is accounted for as it is financed rather than when the fixed assets are consumed, and retirement benefits that are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
31. Financial performance is measured against the financial budget set by the Board in January / February each year. The revenue budget for 2010/11, approved by the Board in February 2010, included a contribution from the General Reserve of £1 million. The final outturn was a contribution of £0.438 million from the General Reserve, an underspend of £0.562 million against budget.
32. The Board achieved a saving of £0.233 million in loan charges, against a budget of £1.686 million. After deduction of 51% police grant, the balance of £0.114 million will be returned to the constituent authorities.
33. The Board's General Reserve balance at 31 March 2011, £4.265 million, is within the carry-forward limit allowed by the Police Grant (Carry Forward Percentages) (Scotland) Order 2011.
34. In January 2011, the Board approved a net revenue budget of £72.469 million for 2011/12, including an estimated £1.958 million which is wholly funded by the Scottish Government in respect of funding for Additional Capacity Police Office posts, CTSA Police Officer posts and Ports Policing. In setting the budget for 2011/12, savings of £4.302 million were identified to bring the revenue budget in line with the estimated available funding.
35. The Board's 2010/11 costs include £1.161 million of Voluntary Redundancy / Early Retirement Scheme costs, which were originally expected to be funded by contribution from the General Reserve in 2011/12. An estimated £1.200 million savings as a result of voluntary redundancies and early retirements is included in the savings identified when setting the 2011/12 budget.

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 through elimination of waste, bureaucracy and duplication.
37. For 2008/09 to 2010/11, the emphasis has moved from non-cash to cash efficiency savings. The eight Scottish police forces have efficiency savings targets that are incorporated within an overall target for local authorities. A cash efficiency target of 2% cumulative per annum has been set for the public sector. While there is no specific target for Police, there is an expectation that the service will deliver cash efficiencies of 2% cumulative per annum against a baseline of the GAE figures for 2007/08. The Force's cash efficiency target for 2008/09 was £1.31 million, rising to £2.62 million for 2009/10 and £3.93 million for 2010/11.
38. The Board considers its Efficient Government activities within the budget setting processes and as part of the business benefits scrutiny undertaken by the Corporate Governance Sub-Committee. In addition, efficiency gains and changes in service provision have been identified from recent Best Value reviews.
39. The efficiencies for 2010/11 were submitted to the Association of Chief Police Officers in Scotland (ACPOS) in May 2011. The cash releasing savings for 2010/11, approved by ACPOS, totalled £4.10 million. The Force also achieved non-cash or time-releasing savings of £1.16 million. Table 2 below summarises individual efficiency savings in excess of £0.10 million.

3. Finance

Table 2 – Efficiency Savings 2010/11

	£m
Absence Management	0.445
Civilianisation of posts	0.624
Special Constables	0.148
Reduction in police officer overtime	0.513
Posts not filled	0.736
Procurement	0.257
Electronic delivery of training	0.152
Total of Above	2.875 =====

Material Risks and Exposures

40. 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 and how they have been resolved.

Scottish Police Services Authority (SPSA) – ICT Procurement

41. The SPSA was fully brought into operation on 1 April 2007, when it acquired full statutory powers, duties and functions. 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.
42. 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.
43. 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.
- ##### **IAS 19 Pension Costs**
44. All costs associated with IAS 19 pension and injury costs have been correctly accounted for and disclosed in the financial statements and associated notes.
45. 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 Urgent Issues Task Force 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 there has been a material reduction in the pension scheme liability in comparison with the previous year.

3. Finance

Police Pension Accounting Arrangements

46. New funding arrangements have been introduced for Police Officers pensions from 2010/11. Key aspects of these arrangements are as follows:
- a Police Pension Account (PPA) is maintained by each Force. Payments into and out of the PPA are 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 / from the General Reserve. Details of movements in the PPA are disclosed in Note 6 to the accounts.
 - a fixed percentage employers' contribution is based on an agreed percentage of pensionable pay set as a result of actuarial advice following regular valuations of the schemes (2010/11 – 24.7%)
 - the Scottish Government will provide funding to meet the costs of the pension provision as demonstrated by the PPA
 - payments for injury benefits and ill-health retirements continue to be paid through the General Reserve, with funding continuing through the Police element of the Local Government Settlement
47. At 31 March 2010, the Force had earmarked an amount of £3.286 million within its General Reserve for those officers who were eligible to retire in 2009/10 but didn't. We can confirm that this amount was transferred to the PPA at 1 April 2010 and that the PPA has been prepared in accordance with the statutory guidance. The movements on the PPA are disclosed in Note 6 to the accounts.

Whole of Government Accounts (WGA)

48. The UK Government's aim in respect of WGA is to develop a fully audited set of accounts covering virtually all of the UK public sector. WGA treats Government as if it were a single, consolidated entity by eliminating all significant transactions and amounts owed between public sector bodies and harmonising accounting policies. WGA is intended to present a true and fair view of Government Activities.
49. The Board met the deadline of 29 July 2011 for the submission of the WGA consolidation pack to the Scottish Government. The Scottish Government uploaded the consolidation pack to their database and then forwarded the pack to us for audit on 16 August 2011. We are confident that the audit certification deadline of 30 September 2011 will be achieved.

Remuneration Report

50. The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) require local authorities and boards in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.
51. The Remuneration Report is included at Section 11 of the financial statements. We have audited the information in the tables within the report and are satisfied that the information has been properly prepared in accordance with the Regulations. We are also satisfied that the other sections of the Remuneration Report are consistent with the financial statements.

Termination Benefits

52. The Force received 55 applications for voluntary redundancy / early retiral under the scheme approved by the Board in November 2010. Of these, 18 applications were for voluntary redundancy, with no additional pension costs to the Board.



3. Finance

53. 54 staff had left the Force by 31 March 2011 and associated costs of £1.61 million are included in the current year expenditure. In approving the voluntary redundancy / early retirement scheme, the Board had agreed that the costs would be met from the General Reserve in 2011/12, but as noted in para 35 above, the costs have been absorbed in the £0.438 million transfer from the General Reserve in 2010/11

4. Governance

Corporate Governance and Internal Control Arrangements

54. The Best Value report and Best Value Improvement Plan, discussed in section 5 of this report, include some comments and actions on Governance.
55. The Board and the Corporate Governance Sub-Committee met regularly during 2010/11 and both comprised members from the three constituent local authorities in Tayside. The Board is responsible for key aspects of governance including budget setting, making arrangements to secure best value and participate in community planning, review of complaints handling by the Force, appointment of chief officers and scrutiny and challenge of Force performance.
56. The Director of Corporate Services and key police officers attend the Corporate Governance-Sub-Committee to discuss and present reports and are often held to account for implementation of recommendations made by audit to improve internal control systems. Regular updates on Strategic Best Value reviews carried out by the Force are reported to the Corporate Governance Sub-Committee.
57. In our 2008/09 Annual Report, we recommended that the Board's Standing Orders and Financial Regulations should be reviewed and updated on a regular basis to ensure that they remain fit for purpose. They had last been reviewed in November 2006. Management agreed that a review would be undertaken following publication of the BV2 Audit Report. Revised Standing Orders were agreed by the Board on 28 June 2010, to be implemented from 1 July 2010. Updated Financial Regulations were approved by the Corporate Governance Sub-Committee in September 2010 and the full Board in November 2010.

Annual Governance Statement

58. The Board has a Local Code of Corporate Governance adopted in January 2005. The Chief Constable has specific responsibility for overseeing the implementation and monitoring of the Code and reporting annually to the Board on compliance.
59. The Annual Governance Statement prepared by the Convenor and the Chief Constable is included as section 10 of the 2010/11 audited statement of accounts. It identifies four areas where further work will be undertaken during 2011/12 to strengthen compliance with the Local Code and concludes "Accepting that further work will be undertaken in 2011/12..... we are satisfied, based on the evidence and assurances we have received, that the Board's Corporate Governance arrangements are adequate and operating effectively."
60. The 2009/10 Annual Governance Statement noted that a formal review of the Local Code would be undertaken during 2010/11 to ensure that it remains relevant. The review has been deferred pending a decision on the future structure of policing within Scotland. The current year's Statement notes that a decision on the review will be taken during 2011/12 in consultation with the Treasurer and the Chief Internal Auditor.
61. Although we are not required to audit compliance with the Board's Code, we review the Annual Governance Statement and the Board's processes to inform our view of the governance arrangements in place. We are satisfied with the Board's processes and that it has identified the key areas where work is still required to ensure full compliance with the Code.

4. Governance

Internal Audit

62. To minimise audit duplication we liaise with internal audit during our planning to identify areas of their work that we can place reliance on. We confirmed for 2010/11 that internal audit would not be testing any of the key controls for the main financial systems. We sought to place reliance on the Chief Internal Auditor's Annual Report when reviewing the Board's Annual Governance Statement. Following review of the file relating to this report, we concluded that we could place reliance on the work and findings of internal audit.
63. Angus Council is responsible for delivery of the internal audit service to the Board under a service level agreement. Since 2007, the majority of the internal audit service has been outsourced to Scott Moncrieff. In December 2010, the Corporate Governance sub-committee agreed that from 2011/12 onwards, Angus Council would provide the full internal audit service in-house, with an expected overall saving of 20%.

Prevention and Detection of Fraud

64. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.
65. 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 staff. Elected members are governed by the codes of conduct in force in the constituent authorities. Overall we concluded that arrangements were generally satisfactory to prevent and detect fraud and other irregularities.
66. 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

67. During 2010/11 we continued to monitor the Board's participation in the National Fraud Initiative (NFI). 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.
68. 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. In common with the previous four years of our current audit appointment 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 Board 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

69. 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
70. 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.
71. 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 Tayside 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”.*
72. 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
73. 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”.*
74. 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.



5. Performance

75. User application testing is currently ongoing on the Force's new performance management software, APEX. Work is ongoing to explore further system developments and to consider the process for rollout and training.
76. Stakeholder engagement is delivered through various exercises to capture public perceptions and to gauge customer satisfaction. A summary of this information is available in the Community Policing section on the Force website. Work to develop an online consultation diary, which can be accessed by the public, is currently ongoing. The Force conducted a comprehensive public consultation exercise on the Policing Plan.
77. Quarterly performance returns are submitted to the Scottish Government Justice Department. Information from these quarterly returns is then incorporated into ACPOS quarterly reports. The Chief Constable's Annual Performance Report is available on the Force's website; www.tayside.police.uk. The Chief Constable's Annual Report for 2010/11 was submitted to the June 2011 Board meeting. In addition the Force produce a Summary of Statistics and Performance Results for the period April 2010 to March 2011 which contains the performance information on the a Scottish Policing Performance Framework. Both of these annual performance documents are publicly available on the Force website, along with monthly key performance results scorecards.

Best Value

78. Tayside was selected as the first of two pilots for the new joint audit and inspection process by the Accounts Commission and Her Majesty's Inspector of Constabulary for Scotland (HMICS). . The report was published on 17 December 2009 and is available from Audit Scotland's website at http://www.audit-scotland.gov.uk/docs/local/2009/bv_091217_tayside_police.pdf .
79. In response to the report, a Best Value Improvement Plan (BVIP) was approved by the Board, with monitoring and delivery of the action plan delegated to a sub-group of the Board comprising members and officers. Two reports submitted to the Corporate Governance sub-committee in June 2011 summarise progress made by the Force and by the Board in implementing the BVIP.
80. The BV report identifies four main areas for improvement in respect of Tayside Police:
 - strengthening corporate strategic leadership
 - fostering an improvement culture
 - improved reporting arrangements, including options appraisal reporting to the Board, and reporting of community planning, community engagement, sustainability and comparative performance information
 - enhancements to service delivery
81. As the Board's external auditors, we are required to monitor progress in addressing the improvement recommendations included in Part 3 of the BV2 report. Reports to the Corporate Governance sub-committee in June 2011 indicated that 17 of the high level actions for the Force in the BVIP have now been implemented and that most of the actions for the Board have been implemented.
82. The following paragraphs detail some of the actions taken during 2010/11.



5. Performance

83. A Force Governance Framework and three year planning cycle was approved by the Force Leadership Team in April 2010 and came into effect in April 2011. Preparation work was undertaken during 2010/11 prior to its implementation. A report on the Tayside Policing Plan 2011-2014 was submitted to the Corporate Governance sub-committee in June 2011, to provide members with information on the divisional and departmental plans underpinning the overall plan. The report was also intended to provide some assurance to members that a robust process of planning and management of risk is embedded within the Force.
84. Improvement activity is regularly reported to the Corporate Governance sub-committee in the Business Change Exception Report and members frequently ask questions on these reports.
85. An in-house best value review of operational policing in 2008/09 recommended that the Force adopt a community policing model to deliver core services. A 15-point implementation plan has been developed and progress was reported to the Corporate Governance sub-committee in February 2011.
86. The BVIP indicated that the Board should establish a website to promote the work of the Board. 'Holding to Account', a recent publication by the Police Complaints Commissioner for Scotland, recommended that the website should be independent of the Force. The new website, hosted by Angus Council, recently became operational and can be accessed at <http://www.angus.gov.uk/ccmeetings/tjpb/default.html>. The website provides access to agendas, minutes and reports, as well as information on the Board, its statutory duties and membership.
87. BVIP actions relating to scrutiny and holding the Chief Constable to account continue to be implemented and monitored. In a report to the Corporate Governance sub-committee in June 2011, officers acknowledged that further work is needed to develop training for members on roles and responsibilities and the Board's duties in relation to Best Value and Community Planning. We recommend that this training should be addressed as a priority when considering induction and training for members after the 2012 elections.

Risk Management

88. The Annual Governance Statement prepared by the Convenor and the Chief Constable in 2009/10 noted that further work should be undertaken in 2010/11 to strengthen risk management arrangements. Internal audit carried out a review of risk management arrangements as part of their 2009/10 audit programme. In December 2010 a progress report was submitted to the Corporate Governance sub-committee which indicated that eight of the ten recommendations in the internal audit report had been fully implemented. The remaining two recommendations were on schedule for completion within the agreed timescale.
89. The Risk Management Strategy, Policy and Guidance was approved by the Force Leadership Team in June 2010 and submitted to the Corporate Governance sub-committee for information and comment in September 2010. The document is available on the Force intranet.
90. Divisional and departmental risk registers are reviewed quarterly and a Risk Management sub group has been established. Updates on the corporate risk register were submitted to the Corporate Governance sub-committee during the year and the annual review was submitted to the Board in March 2011.

5. Performance

Audit Scotland National Studies

91. In March 2010, the Audit & Scrutiny sub-committee agreed that from 2010/11 onwards, all national reports published by Audit Scotland which are relevant to the activities of the Force / Board will be placed before the sub-committee for its information and if appropriate further discussion. It was noted that in some cases it may be necessary for covering reports from Force / Board officers to be provided to explain how the Force / Board intends to tackle the issues raised by Audit Scotland.
92. Audit Scotland planning guidance directs us to provide core 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. To promote impact at a local level, one or two national performance audit reports will be subject to a more targeted follow-up each year and for 2010/11, *Improving public sector purchasing* (published in July 2009) was selected for follow-up.
93. Our report on the follow-up exercise was issued in July 2011 (report 2011-04). Tayside Police participated in the Procurement Capability Assessment (PCA) process in 2009 and 2010. Its overall score rose from 34% in 2009 to 52% in 2010, meaning that the overall procurement status for the organization moved from “conformance” to “improved performance”.
94. In one area, Information Systems, the Force’s score fell from 33% in 2009 (meets minimum standards) to 17% (inadequate) in 2010. The Force currently has no e-procurement system and considers the cost associated with purchasing a system to be prohibitive in relation to the annual spend on supplies and services.
95. Following the 2010 PCA, the Force developed a PCA Improvement Plan, which has clear actions and target completion dates. Progress will be reported to the Force’s Corporate Management Committee (officer group). Progress updates will also be incorporated in the Business Change Exception Reports submitted to the Corporate Governance sub-committee (member group).
96. At a national level, police procurement in Scotland is led by the ACPOS Procurement Management Group and its Centre of Procurement Expertise. The Force Procurement Strategy has been approved at Executive level and is available on the Force intranet. The Force deemed Executive approval to be appropriate as the Board will approve any actions arising from internal and external audits in respect of procurement including those relating to the strategy.
97. A review and update of the Procurement Strategy is one of the actions in the Force PCA action plan. We have been advised that the next review will consider the inclusion of performance indicators, risk assessment and an action plan within the strategy.
98. In the 2010 PCA, collaboration was assessed as ‘established’, the highest category. Key areas of collaboration are:
 - ACPOS Procurement Management Group (eight Scottish Forces)
 - Tayside Opportunities Group (TOPIC) – NHS Tayside, Angus Council, Dundee City Council, Perth & Kinross Council, Tayside Contracts, Tayside Fire & Rescue, Tayside Police and APUC (the Universities and Colleges Centre of Excellence)
 - Quad Working Group – Lothian & Borders, Central, Fife and Tayside Forces examining shared service arrangements
 - Use of national contracts and other framework contracts

5. Performance

HM Inspectorate of Constabulary for Scotland (HMICS)

99. During 2008, HMICS changed their inspection methodology to include a component of annual self assessment. The 2010/11 model developed by HMICS introduced a change in terminology from 'self-assessment' to 'self-evaluation'.
100. The 2010/11 self-evaluation exercise asked forces to consider and comment on six areas of their business:
- Performance outcomes
 - Priority setting
 - Budget process
 - Continuous improvement
 - Collaboration and joint working
 - Risk management
101. HMICS encouraged forces to use insight from the self-evaluation to influence the development of policing plans and business plans which are already a part of the planning cycle, rather than developing a separate action plan. In Tayside, information from the exercise has been used to inform the Policing and Business Plans. In March 2011, the Chief Constable reported to the Board that the revised approach was received positively by leaders throughout the Force.



Appendix I Respective Responsibilities

Respective Responsibilities of Members, Officers and Auditors

Each public sector body is accountable for the way in which it has discharged its stewardship of public funds. Stewardship is a function of both executive and non-executive management and, therefore, responsibility for effective stewardship rests upon both members and officers of a public sector body.

That responsibility is discharged primarily by the establishment of sound arrangements and systems for the planning, appraisal, authorisation and control over the use of resources and by the preparation, maintenance and reporting of accurate and informative accounts.

It is our responsibility to undertake an independent appraisal of the discharge by management of its stewardship responsibilities, to enable us to give an assurance that those responsibilities have been reasonably discharged.

The Board and the Treasurer's responsibilities for the Statement of Accounts are set out in section 9 of the annual statement of accounts. Our responsibility is to form an independent opinion, based on our audit, on the abstract of accounts and to report that opinion to you.

We are required to review whether the Board's Annual Governance Statement reflects the Board's compliance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, and we report if, in our opinion, it does not. We are not required to consider whether the statement covers all risk and controls, or form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.



Appendix II

Audit Adjustments

Material Adjustments

- 1. Transfer from General Reserve to Police Pension Account £3.286 million**

At 31 March 2010, the Force had earmarked an amount of £3.286 million within its General Reserve for those officers who were eligible to retire in 2009/10 but didn't. This amount was transferred to the PPA at 1 April 2010 in accordance with the statutory guidance. In the draft accounts, the transfer was disclosed as a separate line in the Comprehensive Income and Expenditure Statement. In the final accounts, the amount has been disclosed within Taxation and non-specific grant income, as the transfer to the PPA results in a lower level of grant from the Scottish Government for pensions than would be the case if the earmarked reserve did not exist. There is a corresponding adjustment in the Movement in Reserves Statement. There is no impact on the closing balance on the General Reserve.
- 2. IAS 19 Pension Costs £995,000**

An adjustment was required between the actuarial gain and the net cost of services in the Comprehensive Income and Expenditure account, to ensure that Pension costs are recorded in accordance with IAS 19. There is no impact on the General Reserve balance.

Significant Adjustments

- 1. Non Distributed Costs £794,000**

Termination costs of £1.161 million are included in the financial statements, as disclosed in Note 19. These costs are included within non distributed costs in the Comprehensive Income and Expenditure Statement. An adjustment was required to ensure that the correct figure was included in non distributed costs. The corresponding adjustment is to the other cost of services headings, so there is no impact on the net cost of services and no impact on the General Reserve.
- 2. Depreciation £225,000**

An error in the spreadsheet used to calculate the annual depreciation charge meant that depreciation had been overcharged by £225,000. An adjustment was made to correct the charge. The adjustment between accounting basis and funding basis in the Movement in Reserves Statement means that there is no impact on the General Reserve.
- 3. Gain on revaluation of assets £109,000**
Depreciation £14,000
Loss on disposal of assets £39,000

During 2010/11, two separate assets were combined to form a single asset. One of the assets had incorrectly been treated as a disposal and there was an error in the calculation of the gain on revaluation. Adjustments were made to ensure the correct accounting treatment.

Prior Year Adjustment – Injury Benefits

- 1.** We were advised by Audit Scotland on 25 August that the actuary has changed the way they account for injury benefits. Prior to 2010/11, calculation of the liability was based on benefits currently in payment. In 2010/11 the calculation was changed to include an estimate of active members who may be paid injury benefits in the future. A change in measurement basis is a change in accounting policy, which must be applied retrospectively. There is no impact on the General Reserve balance at 31 March 2011.



Appendix III

Definition of Material, Significant and Trivial

We are required to express an opinion on whether the accounts give a true and fair view of the financial position of the Board. In arriving at that opinion we need to assess any weaknesses, misstatements and errors discovered during our audit testing. Additional information or events in the period between the balance sheet date and the date we sign our audit report must also be considered.

In order to help us to assess the impact of errors we classify them as material, significant or trivial.

Materiality is set at the start of the audit using statistical formulae and following consideration of risk. The value for significant and trivial are set in relation to the materiality figure.

Material misstatement and adjustments

Material misstatements are misstatements that, in our opinion, mean that the accounts do not give a true and fair view. Material misstatements discovered during our audit are discussed with management and agreement reached over the required revision for the final audited accounts. Where no agreement is reached to make a material adjustment we would need to consider qualifying our audit opinion.

Significant misstatements and adjustments

Significant items are lower in value than material items, but still of a size that might give rise to the financial statements not giving a true and fair view, particularly if there are several of them, which in total would become material. The Board has the option of adjusting for significant misstatements or not. The impact of any significant misstatements not adjusted for in the final audited accounts would need to be considered and where the combined impact of non-adjusted items was material, this could lead to a qualified opinion. Reasons for non adjustment of significant misstatements are required to be reported to the members.

Trivial errors and adjustments

Trivial errors are those with a fairly low value, and which do not affect the true and fair view of the financial statements. These are recorded and summarised during the audit and the overall total net impact is considered. Individual trivial errors would not require adjustment. If the net total of trivial errors becomes significant or material then there will be an issue to be considered for our report unless the Board agrees to adjust the errors.



Appendix IV Acronyms

ACPOS	Association of Chief Police Officers in Scotland
BV	Best Value
BVIP	Best Value Improvement Plan
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance Accountants
CPI	Consumer Price Index
CTSA	Counter Terrorism Security Adviser
FRS	Financial Reporting Standard
GAE	Grant-Aided Expenditure
HMICS	Her Majesty's Inspectorate of Constabulary for Scotland
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standard
ISA	International Standard on Auditing
NFI	National Fraud Initiative
PCA	Procurement Capability Assessment
PPA	Police Pension Account
RPI	Retail Price Index
SOA	Single Outcome Agreement
SORP	Statement of Recommended Practice
SPI	Statutory Performance Indicator
SPPF	Scottish Police Performance Framework
SPSA	Scottish Police Services Authority
UK GAAP	Generally Accepted Accounting Practice in the UK
WGA	Whole of Government Accounts